MAYVILLE COMMUNITY SCHOOLS
Mayville, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary and
additional supplementary information)
YEAR ENDED JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Mayville Community Schools
Mayville, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mayville Community Schools as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mayville Community Schools as of June 30, 2016, and the respective changes in financial position, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mayville Community Schools' basic financial statements. The additional supplementary information, as identified in the table of contents, and schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The additional supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2016 on our consideration of Mayville Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Mayville Community Schools' internal control over financial reporting and compliance.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CARO, MICHIGAN

October 7, 2016

MAYVILLE COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016

As management of Mayville Community Schools (the "District"), a K12 school district located in Tuscola County, Michigan, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Governmental Revenues increased $192,760.
- Governmental Expenditures increased $141,684.
- General Fund Revenues were $6.3 million, $59,414 less than General Fund Expenditures.
- State Aid Foundation Allowance increased by $265 to $7,391.
- The District's 2015 fall student count fell to 645, a decrease of 21 students from the fall of 2014.
- The total taxable value of property in the District increased 1.72%.

Overview of the Financial Statements

The District's financial statements consists of three parts: Management's discussion and Analysis (this section), the basic financial statements and other supplementary information.

The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are the District-wide financial statements that provide both short-term and long-term information about the District's overall financial status. These statements present an aggregate view of the District's finances and a longer-term view of those finances.
- The next statements are fund financial statements that focus on individual funds of the District. These statements look at the District's operations in more detail than the District-wide financial statements by providing information about the District's most significant funds – the General Fund, the Debt Fund, and the Food Service Fund, with all other funds aggregated and presented in one column as nonmajor funds.

The statement of fiduciary assets and liabilities – agency fund presents financial information about the activities for which the District acts solely as an agent for the benefit of students and others.

District-wide financial statements. The District-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position and the statement of activities, which appear first in the District's financial statements, include all assets, deferred outflows of resources, labilities, and deferred inflows of resources, and use the full accrual basis of accounting. This means that all of the current year's revenues and expenses are taken into account regardless of when cash is received.

The two District-wide financial statements report the District's net position and how it has changed. Net position – the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources – is one way to measure the District's financial health. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the direct is improving or deteriorating.

The relationship between revenues and expenses is the District's operating results. However, it should be noted that unlike most private-sector companies where improving shareholder wealth is the goal, the District, one must consider many nonfinancial factors such as the quality of education provided, breadth of curriculum offered, condition of school facilities, and the safety of the schools.

The statement of net position and statement of activities report the governmental activities for the District, which encompass all of the District's services including instruction, supporting services, community services, food services, and athletics. Property taxes, unrestricted state aid, state grants, and federal grants finance most of these activities.

Fund financial statements. The District's fund financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required to be established by State law and by bond covenants, though the District may establish other funds to help control and manage money for particular purposes. It may also establish other funds to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

The fund level financial statements are reported on a modified accrual basis, which measures only those revenues that are "measurable" and "currently available." Expenditures are recognized to the extent that they are normally expected to be paid with current financial resources.

The fund financial statements are formatted to comply with the legal requirements of the Michigan Department of Education's Bulletin 1022. The District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including:

- Debt Service Fund
- Special Revenue Fund – consisting of the Food Service Fund.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. Assets are not capitalized at the fund level. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future debt obligations are not recorded at the fund level.

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

District-Wide Financial Analysis

The statement of net position provides the perspective of the District as a whole. The table below provides a summary of the District's net position as of June 30, 2016 and 2015:

	Net Position		
	Governmental Activities		Percent
	2016	2015	Change
Assets			
Current and other assets	3,105,710	2,559,683	22.31%
Capital assets - net of accumulated depreciation	11,357,083	11,823,194	-4.15%
Total assets	14,462,793	14,382,877	0.56%
Deferred Outflows of Resources			
Related to refunding	301,621	329,322	-8.41%
Related to pensions	1,341,600	912,269	47.06%
Total deferred outflows of resources	1,643,221	1,241,591	32.35%
Liabilities			
Current liabilities	2,470,217	1,866,846	32.32%
Long-term liabilities	20,453,191	19,605,345	4.32%
Total liabilities	22,923,408	21,472,191	6.76%
Deferred Inflows of Resources			
Related to pensions	29,786	853,990	-96.51%
State aid funding for pension	244,361	-	100.00%
Total deferred inflows of resources	274,147	853,990	-67.89%
Net Position			
Net investment in capital assets	490,167	568,587	-13.79%
Restricted for Debt Service	205,493	204,775	0.35%
Unrestricted	(7,787,201)	(7,475,085)	4.18%
Total net position	$ (7,091,541)	$ (6,701,723)	5.82%

Net investment in capital assets, approximately $490,200, is the original cost of the District's capital assets, less depreciation, less the long-term debt outstanding used to finance the acquisition of those assets. This debt will be repaid mainly from voter-approved property taxes collected as the debt and interest payments come due. Restricted net position of approximately $205,500 is shown separately to recognize legal constraints from debt covenants and enabling legislation. These constraints limit the District's ability to use the restricted net position for day-to-day operations.

The remaining amount of net position, a deficit of approximately $7,787,200 represents the accumulated results of the current and all past years' operations. As noted earlier, this deficit in 2016 is a result of the requirement to report the District's net pension liability of approximately $8,992,600 on its statement of net position due to the implementation of GASB 68 effective June 30, 2015. The operating results of the General Fund will also have a significant impact on the change in unrestricted net position from year to year.

MAYVILLE COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016

The results of this year's operations of the District as a whole are reported in the statement of activities, summarized in the table below, which shows the changes in net position for the fiscal year 2016 and 2015.

	Change in Net Position		
	Governmental Activities		Percent
	2016	2015	Change
Program Revenues			
Charges for services	112,696	94,623	19.10%
Grants and contributions	1,243,656	1,120,754	10.97%
General Revenues			
Property taxes	1,472,631	1,461,114	0.79%
Unrestricted state aid	4,532,651	4,484,608	1.07%
Other	186,478	194,253	-4.00%
Total Revenues	7,548,112	7,355,352	2.62%
Expenses			
Instruction	4,099,440	3,960,124	3.52%
Supporting Services	2,507,756	2,466,597	1.67%
Community Services	5,799	6,599	-12.12%
Food Services	340,551	340,197	0.10%
Capital Projects	-	36,276	100.00%
Interest on long-term debt	464,423	474,256	-2.07%
Unallocated depreciation	519,961	512,197	1.52%
Total expenses	7,937,930	7,796,246	1.82%
Change in net position	(389,818)	(440,894)	-11.58%
Net position, beginning of year	(6,701,723)	(6,260,829)	7.04%
Net position end of year	$ (7,091,541)	$ (6,701,723)	5.82%

Of the District's total revenues available to operate the District, 1.49% or approximately $112,700 came from fees charged to those who benefited from the programs. Revenues from other governments or organizations that subsidize certain programs with grants and other directed types of funding approximated 16.48% or approximately $1,243,700.

The State foundation allowance accounted for 60.05% or approximately $4,532,700 of the revenue available. This revenue is determined by a formula that incorporates pupil headcount, the annual per pupil allowance and the non-homestead property taxable values of the District.

The expense portion of the previous table shows the financial support of each functional area required during the year. The overall increase of 1.82% is due to salary and fringe benefit cost increases. Being in the business of educating children the largest expenses were incurred in instruction, which accounted for approximately $4,099,400 or 51.64% of total expenses. Support services cost approximately $2,507,800 or 31.59% of total expenses, which include such items as transportation, maintenance, supervision, counseling and a variety of similar services that support the District's mission of educating children.

The District experienced a decrease in net position of approximately $389,800 or an 11.58% decrease from fiscal 2015. Overall, revenue increased 2.62%, while expenses increased by 1.82%. It should be noted that under the accrual basis of accounting, property taxes collected for debt service are recognized as revenue, while only interest on the debt is recognized as expense. The increase in net position differs from the change in fund balance and a reconciliation appears later in the financial statements.

Student Enrollment. The District's student "Full Time Equivalent" (FTE) for the fall count of 2015-16 was 645 students. The following table summarizes fall student enrollments in the past five year:

Fiscal Year	Student FTE	Change From Prior Year
2015-16	645.33	(21)
2014-15	666.43	(56)
2013-14	722.35	(7)
2012-13	729.48	(47)
2011-12	776.34	(43)

The reduction in enrollment is directly related to the economic condition of the State of Michigan. Relocation of families out of the District for the reason of employment has had a significant impact on the student count.

Property Taxes. Local property taxes, of approximately $1,472,631 or 19.51% of total revenue, supported the remaining portion of the governmental activities. Property tax revenue increased by .79% due to taxable value increases in the district. The District levied 18 mills on all non-homestead property for operations (General Fund) for 2015-16. Under Michigan law, the tax levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at lesser of the rate of the prior year's Consumer Price Index increase or 5 percent. The following table summarizes the local tax revenues as a percent of all general fund revenues for the past four years:

Fiscal Year	Local Property Tax Revenue	Change From Prior Year
2015-16	649,360	-0.93%
2014-15	655,463	7.18%
2013-14	611,543	-1.52%
2012-13	620,968	

Local revenues in the table include the receipt of delinquent taxes from prior years.

Financial Analysis of the District's Funds

As noted earlier, the District uses funds to help control and manage money for particular purposes. Looking at funds helps the reader consider whether the District is being accountable for the resources taxpayers and others provide, and may provide more insight in the District's overall financial health. As the District completed this year, the governmental funds reported a combined fund balance of approximately $705,896 which is a decrease of approximately $58,497 from the prior year.

Of the combined governmental funds balances, 17.68% or approximately $124,822 constitutes unassigned fund balance, which is available for spending at the District's discretion. District management has assigned approximately $207,540 of fund balance for compensated absences. Approximately $373,449 is restricted fund balance to indicate that it is not available for spending at the District's discretion. Of the restricted fund balance, approximately $84,474 is earmarked for capital improvements, approximately $275,896 is earmarked for payments on long-term debt and $13,079 is earmarked for food service. The remaining fund balance of $85 is non-spendable and is earmarked for inventory and prepaid items.

The General Fund is the principal operating fund of the District. At the end of the current fiscal year, assigned fund balance of the General Fund was approximately $124,822 while total fund balance was approximately $332,362. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total funds balance represents 5.11% of total General Fund expenditures.

The fund balance of the District's General Fund decreased by approximately $59,414 during the current fiscal year, due to enrollment.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires the budget to be amended to ensure expenditures do not exceed appropriations. A statement showing the District's original and final budget amounts, compared with amounts actually paid and received, is provided in the basic financial statements.

A summary of variances from actual versus the final amended budget is as follows:

- The District's General Fund revenues were approximately $29,000 less than the final amended budget, a variance of .46%.
- The District's General Fund expenditures were approximately $123,500 more than the final amended budget, a variance of 1.94%.

The variances between the original and final amended budget for the General Fund is mainly related to changes in health and retirement benefits, pupil count, state funding and other factors that were not known at the time of the original budget, along with various other small changes to budgeted revenues and expenditures.

Capital Asset and Debt Administration

Capital Assets. By June 30, 2015, the District had purchased a bus for $53,850 and sold/disposed of two older buses and two vans. This represents a net decrease (including all additions and disposals) of approximately $91,659 from last year. More detailed information about capital assets is available in Note 4 of the financial statements.

This year's major capital asset additions include the purchase of a bus.

	Capital Assets (Net of Depreciation)	
	2016	**2015**
Land	25,000	25,000
Building and improvements	10,770,177	11,150,091
Land improvements	219,776	248,839
Furniture and equipment	226,899	303,759
Buses and other vehicles	115,231	95,505
Total capital assets, net	11,357,083	11,823,194

Debt Administration. At year-end, the District had approximately $11,461,000 in general obligation bonds and other long-term debt outstanding – a decrease of $419,901 from last year – as show in the below table. More detailed information about the District's long-term debt is presented in Note 6 to the financial statements, and in the Other Supplementary Information section.

	Long-Term Debt	
	2016	**2015**
General obligation bonds	11,204,393	11,668,231
Other long-term debt	256,158	212,221
Total long-term debt	11,460,551	11,880,452

Factors Bearing on the District's Future

We considered many factors when setting the District's 2016-17 fiscal year budget, including the anticipated decreases in state and federal funding due to the continued decline in student enrollment along with increased health care costs. The District has planned for these changes, as evidenced by the cost-saving measures implemented.

Approximately 87.2% of total General Fund revenues are from the foundation allowance, including property taxes. The State foundation allowance is determined by multiplying the blended student count by the foundation allowance per pupil. That makes our student count estimate one of the most important factors impacting our budget. In setting the budget for 2016-17, we assumed a reduction of 40 students based on the predictions of

Stanfred Consultants, and a $120 increase in the Foundation allowance and related performance funding based on State budget documents.

Since the 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 the revenues to fund its appropriation to school districts. For fiscal year 2015-2016, District saw a foundation allowance of $7,391 which was $265 more than in 2014-15. A loss of 14 students over the predictions contributed greatly to the negative direction of the 2015-16 budget, but we were able to implement cost-saving measures during the year to offset some of the revenue loss. Based on the recommendations from Stanfred Consultants, we anticipate another significant decline in our K-12 enrollment.

The District is anticipating a modest increase to the fund balance in 2016-17 with continued cost saving measures and constant monitoring of the budget. We believe the 2016-17 foundation allowance will increase by $120 to $7511 but student enrollment will decline by approximately 40 students. Due to these factors, the district anticipates $208,600 less in revenue for the year. We also assume that our costs will decrease by approximately 292,600 due to layoffs, and privatization of the custodial group. The district continues to borrow in order to meet contingencies and cash flow.

The District's labor contract with the Education Association, which represents the District's teachers, was settled in 2016, and will expire in August of 2018.

Requests for Information

This financial report is designed to provide the District's citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances. It is also designed to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact:

Barry Markwart, Superintendent
Mayville Community Schools
6250 Fulton Street, Mayville, MI 48744-9103

BASIC FINANCIAL STATEMENTS

MAYVILLE COMMUNITY SCHOOLS
STATEMENT OF NET POSITION
June 30, 2016

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash & equivalents	$ 353,440
Investments	1,522,939
Accounts receivable	80,034
Intergovernmental receivable	1,064,738
Prepaid expenses	85
Restricted investments - capital projects funds	84,474
Capital assets not being depreciated	25,000
Capital assets, net of accumulated depreciation	11,332,083
TOTAL ASSETS	14,462,793
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on bond refunding, net of amortization	301,621
Related to pensions	1,341,600
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,643,221
LIABILITIES	
Accounts payable	103,322
Note payable	1,570,000
Accrued salaries and related items	561,711
Accrued retirement	148,705
Accrued interest payable	83,525
Unearned revenue	2,954
Noncurrent liabilities:	
Due within one year	483,238
Due in more than one year	10,977,313
Net pension liability	8,992,640
TOTAL LIABILITIES	22,923,408
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	29,786
State aid funding for pension	244,361
TOTAL DEFERRED INFLOWS OF RESOURCES	274,147
NET POSITION	
Net investment in capital assets	490,167
Restricted for debt service	205,493
Unrestricted	(7,787,201)
TOTAL NET POSITION	$ (7,091,541)

See notes to financial statements.

MAYVILLE COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

		Program Revenues		Governmental Activities
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental activities:				
Instruction	$ 4,099,440		$ 668,698	$ (3,430,742)
Support services	2,507,756	$ 45,719	286,585	(2,175,452)
Food services	340,551	66,977	288,373	14,799
Community services	5,799			(5,799)
Interest on long-term debt	464,423			(464,423)
Depreciation - unallocated	519,961			(519,961)
Total governmental activities	$ 7,937,930	$ 112,696	$ 1,243,656	(6,581,578)
General revenues:				
Property taxes, levied for general purposes				649,362
Property taxes, levied for debt service				823,269
State aid - unrestricted				4,532,651
Transfers from other districts				46,474
Interest and investment earnings				3,806
Other				136,198
Total general revenue				6,191,760
Change in net position				(389,818)
Net position, beginning of year				(6,701,723)
Net position, end of year				$ (7,091,541)

See notes to financial statements.

MAYVILLE COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	GENERAL FUND	DEBT SERVICE	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
CURRENT ASSETS:				
Cash & equivalents	$ 187,919		$ 165,521	$ 353,440
Investments	1,231,888	$ 291,051	-	1,522,939
Accounts receivable	80,034			80,034
Prepaid expenditures	-		85	85
Due from other funds	166,552			166,552
Intergovernmental receivable	1,062,829		1,909	1,064,738
Restricted investments			84,474	84,474
TOTAL ASSETS	$ 2,729,222	$ 291,051	$ 251,989	$ 3,272,262
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	$ 103,322			$ 103,322
Interest payable	13,122			13,122
Note payable	1,570,000			1,570,000
Due to other funds	-	$ 15,155	$ 151,397	166,552
Accrued salaries and related items	561,711			561,711
Accrued retirement	148,705			148,705
Unearned revenue	-		2,954	2,954
TOTAL LIABILITIES	2,396,860	15,155	154,351	2,566,366
FUND BALANCES:				
Nonspendable:				
Prepaid expenditures	-		85	85
Restricted for:				
Debt service		275,896		275,896
Food service			13,079	13,079
Capital projects			84,474	84,474
Assigned for:				
Compensated absences	207,540			207,540
Unassigned	124,822			124,822
TOTAL FUND BALANCES	332,362	275,896	97,638	705,896
TOTAL LIABILITIES AND FUND BALANCES	$ 2,729,222	$ 291,051	$ 251,989	$ 3,272,262

See notes to financial statements.

MAYVILLE COMMUNITY SCHOOLS

Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2016

Total Fund Balances - Governmental Funds	$ 705,896
Total net position reported for governmental activities in the statement of net position is different because:	
Deferred charge on bond refunding, net of amortization	301,621
Deferred outflows of resources-related to pensions	1,341,600
Deferred inflows of resources-related to pensions	(29,786)
Deferred inflows of resources-related to state pension funding	(244,361)
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	
The cost of the capital assets is:	20,060,245
Accumulated depreciation is:	(8,703,162)
Long -term liabilities are not due and payable in the current period and are not reported in the funds:	
Accrued compensated absences	(207,540)
Accrued interest	(70,403)
Long-term debt obligations	(11,253,011)
Net pension liability	(8,992,640)
Net Position of Governmental Activities	$ (7,091,541)

See notes to financial statements.

MAYVILLE COMMUNITY SCHOOLS

Statement of Revenues, Expenditures, and Change in Fund Balances
Governmental Funds
Year Ended June 30, 2016

	GENERAL FUND	DEBT SERVICE	OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Local sources				
Property taxes	$ 649,362	$ 823,269		$ 1,472,631
Tuition	1,125			1,125
Investment earnings	2,749	855	$ 172	3,776
Food sales			67,648	67,648
Other	169,151			169,151
Total local sources	822,387	824,124	67,820	1,714,331
State sources	4,896,255		10,176	4,906,431
Federal sources	591,679		278,197	869,876
Incoming transfers and others	46,474			46,474
TOTAL REVENUES	6,356,795	824,124	356,193	7,537,112
EXPENDITURES:				
Current:				
Instruction	3,930,649			3,930,649
Supporting services	2,477,748			2,477,748
Community services	5,799			5,799
Other Transactions	6,515			6,515
Food services			332,794	332,794
Debt service:				
Principal	70,232	380,000		450,232
Interest	12,154	444,569		456,723
TOTAL EXPENDITURES	6,503,097	824,569	332,794	7,660,460
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(146,302)	(445)	23,399	(123,348)
OTHER FINANCING SOURCES (USES):				
Proceeds from debt	53,850			53,850
Transfer in	22,037			22,037
Transfer out	-		(22,037)	(22,037)
Sale of capital assets	11,001			11,001
TOTAL OTHER FINANCING SOURCES (USES)	86,888	-	(22,037)	64,851
CHANGE IN FUND BALANCES	(59,414)	(445)	1,362	(58,497)
FUND BALANCES - BEGINNING OF YEAR	391,776	276,341	96,276	764,393
FUND BALANCES - END OF YEAR	$ 332,362	$ 275,896	$ 97,638	$ 705,896

See notes to financial statements.

MAYVILLE COMMUNITY SCHOOLS

Reconciliation of the Governmental Funds Statement of
Revenues, Expenditures and Change in Fund Balances
to the Statement of Activities
Year Ended June 30, 2016

Total change in fund balances--governmental funds	$ (58,497)
Total change in net position reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(519,961)
Capital outlay	53,850
Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable, beginning of year	71,566
Accrued interest payable, end of year	(70,403)
The issuance of long-term debt provides current financial resources to governmental funds while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, where as these amounts are deferred and amortized in the statement of activities. The effect of these differences in the treatment of long-term debt and related items are as follows:	
Proceeds from debt	(53,850)
Payments on debt	450,232
Amortization of bond premium & discount	18,838
Amortization of deferred charge on refunding	(27,701)
Compensated absences and early retirement incentives are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental	
Accrued compensated absences at the beginning of the year	212,221
Accrued compensated absences at the end of the year	(207,540)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Pension related items	(14,212)
Restricted revenue reported in governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions subsequent to the measurement period.	
State aid funding for pension	(244,361)
Change in net position of governmental activities	$ (389,818)

See notes to financial statements.

MAYVILLE COMMUNITY SCHOOLS

STATEMENT OF FIDUCIARY ASSETS & LIABILITIES

June 30, 2016

		AGENCY FUNDS
ASSETS		
Cash	$	174,703
Investments		69,336
TOTAL ASSETS	$	244,039
LIABILITIES		
Due to student groups	$	244,039
TOTAL LIABILITIES	$	244,039

See notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS:
The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. All fiduciary activities are reported only in the fund statements. *Governmental activities* normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

REPORTING ENTITY:
Mayville Community Schools (the "District") is governed by the Mayville Community Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement.

BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS:
While separate government-wide and fund financial statements are presented, they are interrelated. The government activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements.

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

BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS:
The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category – government and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

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

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

OTHER NON-MAJOR FUNDS:
The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service activities in a special revenue fund.

The *capital projects fund* accounts for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

The capital projects funds include capital activities funded with bonds issued in September 2004. Beginning with the year of bond issuance, the District has reported the annual construction activity in the Capital Projects Fund. The cumulative revenues and expenditures are as follows:

	Capital Projects Fund
Revenue and other financing sources	$ 15,059,959
Expenditures and other financing uses	$ 14,975,485

For these capital projects, the school district has complied with the applicable provisions of §1351a of the Revised School Code. The project for which the 2004 School Building and Site Bonds were issued was considered substantially completed on June 1, 2008.

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government–wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING:
The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The process of preparing financial statements in conformity with accounting principles of generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events at the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are 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 revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital lease are reported as other financing sources.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end).

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the current year ended, the foundation allowance was based on the pupil membership counts.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exception (PRE) property and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by Non-PRE property taxes which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The State revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30th is reported as an intergovernmental receivable.

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Certain governmental funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received and accrued, which are not expended by the close of the fiscal year are recorded as unearned revenue.

All other revenue items are generally considered to be measureable and available only when cash is received by the District.

BUDGETARY INFORMATION:

Budgetary basis of accounting:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue fund. Capital projects funds are appropriated on a project-length basis. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if the have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

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

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.

2. Public hearings are conducted to obtain taxpayer comments.

3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.

4. Transfers may be made for budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.

5. The budget was amended during the year with supplemental appropriations, the last one approved prior to the year ended June 30, 2016. The District does not consider these amendments to be significant.

ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE:

1. Cash and equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

2. Investments

Certain investments are valued at fair value and determined by quoted market prices, or by estimated fair values when quoted market prices are not available. Standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the districts intend to hold the investment until maturity.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. District or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

3. Inventories and prepaid items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital assets

Capital assets, which include property, plant equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Group purchases are evaluated on a case by case basis. Donated capital assets are valued at their fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

Land and construction in progress, if any, are not depreciated. The other property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	20 – 50 years
Land improvements	15 – 20 years
Equipment and furniture	5 – 20 years
Buses and other vehicles	5 – 10 years

5. Defined Benefit Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public Employees Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

6. Deferred outflows/inflows of resources

Deferred Outflow:
In addition to assets, the statement of financial position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District only has two items that qualifies for reporting in this category. They are a deferred charge on refunding and pension contributions reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. A deferred outflow is recognized for pension contributions made after the plans measurement date, but before the fiscal year end. The amount is expenses in the plan year in which it applies.

Deferred Inflow:
In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. It is the future resources yet to be recognized in relation to the pension actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension liability and the actual results. The amounts are amortized over a period determined by the actuary. The second is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period.

7. Net position flow assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

8. Fund balance flow assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to reported as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

9. Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of the resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The board of education is the highest level of decision-making authority for the District that can, by adoption of a board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action remains in place until a similar action is taken (the adoption of another board action) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The board of education may also assign fund balances as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

REVENUES AND EXPENDITURES/EXPENSES:

1. Program revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements for a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due date is September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2016, the District levied the following amounts per $1,000 of assessed valuation:

FUND	MILLS
General Fund:	
Non-Principle Residence Exemption (PRE)	18.0000
Commercial Personal Property	6.0000
Debt Service Fund:	
PRE, Non-PRE, Commercial Personal Property	5.4000

3. Compensated absences

The District's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary and related benefits, where applicable.

4. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year which they are incurred.

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 on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTE 2 - DEPOSITS AND INVESTMENTS:

As of June 30, 2016, the District had the following investments:

Investment Type	**Fair value**	**Weighted Average Maturity (Years)**	**Standard & Poor's Rating**	**%**
MILAF External Investment pool - MICMS	$ 1,299,427	0.0027	AAAm	77.50%
MILAF External Investment pool - MIMAX	377,322	0.0027	AAAm	22.50%
Total fair value	$ 1,676,749			100.0%
Portfolio weighted average maturity		0.0027		

1 day maturity equals 0.0027, one year equals 1.00

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF is an external pooled investment fund of "qualified" investments for Michigan school districts. MILAF is not regulated nor is it registered with the SEC. MILAF reports as of June 30, 2016, the fair value of the District's investments is the same as the value of the pool shares.

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

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, the District did not have investments in commercial paper and corporate bonds.

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2016, $280,800 of the District's bank balance of $530,800 was exposed to custodial credit risk because it was uninsured and uncollateralized with securities held by the pledging financial institution's trust department of agent, but not in the District's name. The carrying value on the books for deposits at the end of the year was $528,143.

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

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

Fair value measurement. The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing and investment and would be based on the best information available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The District does not have any investments subject to the fair value measurement.

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

At June 30, 2016, the carrying amounts is as follows:

Deposits - including fiduciary funds of $174,703	$ 528,143
Investments - including fiduciary funds of $69,336	1,676,749
	$ 2,204,892

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

Cash - District wide	$ 353,440
Cash - Fiduciary Funds	174,703
Investments - Fiduciary Funds	69,336
Investments - District wide	1,522,939
Investments - Restricted for Capital Projects	84,474
	$ 2,204,892

NOTE 3 – INTERGOVERNMENTAL RECEIVABLES:

Intergovernmental receivables at June 30, 2016 consist of the following:

Governmental Units:	
State aid	$ 889,968
Federal revenue	174,770
	$ 1,064,738

Amounts due from governmental units include amounts due from federal, state, and local sources for various projects and programs.

Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

NOTE 4 – CAPITAL ASSETS:

A summary of changes in the District's capital assets follows:

	BALANCE July 1, 2015	ADDITIONS	DELETIONS	BALANCE June 30, 2016
Governmental Activities:				
Assets not being depreciated – land	$ 25,000	$ -	$ -	$ 25,000
Capital assets being depreciated:				
Building & improvements	17,477,266			17,477,266
Land improvements	547,472			547,472
Equipment and furniture	1,389,846			1,389,846
Buses and other vehicles	712,320	53,850	(145,509)	620,661
Subtotal	20,126,904	53,850	(145,509)	20,035,245
Accumulated depreciation:				
Building & improvements	(6,327,175)	(379,914)		(6,707,089)
Land improvements	(298,633)	(29,063)		(327,696)
Equipment and furniture	(1,086,087)	(76,860)		(1,162,947)
Buses and other vehicles	(616,815)	(34,124)	145,509	(505,430)
Subtotal	(8,328,710)	(519,961)	145,509	(8,703,162)
Net capital assets being depreciated	11,798,194	(466,111)	-	11,332,083
Net governmental capital assets	$ 11,823,194	$ (466,111)	$ -	$ 11,357,083

Depreciation for the fiscal year ended June 30, 2016 amounted to $519,961. The District determined that it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.

NOTE 5 – NOTE PAYABLE:

At June 30, 2016, the District has a note payable outstanding of $1,570,000. The note has an interest rate of 0.99% and matures August 26, 2016. The note is secured by the full faith and credit of the District as well as pledged state aid.

Balance June 30, 2015	Additions	Payments	Balance June 30, 2016
$950,000	$1,570,000	$950,000	$1,570,000

NOTE 6 - LONG-TERM DEBT:

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Long-term obligations currently outstanding are as follows:

	Compensated Absences and Retirement Incentives	Bus Installment Purchase	General Obligation Bonds	Total
Balance - July 1, 2015	$ 212,221	$ -	$ 11,668,231	$ 11,880,452
Additions		53,850		53,850
Deletions	(4,681)	(5,232)	(463,838)	(473,751)
Balance June 30, 2016	207,540	48,618	11,204,393	11,460,551
Due Within One Year	(17,803)	(10,435)	(455,000)	(483,238)
Total Due After One Year	$ 189,737	$ 38,183	$ 10,749,393	$ 10,977,313

Long-term obligation debt at June 30, 2016 is comprised of the following:

Energy Conservation Bonds	$ 210,000
2007 Refunding Bonds	7,950,000
2013 Refunding Bonds	3,005,000
School bus installment purchase agreement	48,618
Plus: Premium on bond refunding	163,158
Less: Discount on bond refunding	(123,765)
Total general obligation debt	11,253,011
Accumulated compensated absences	207,540
Total long-term debt	$ 11,460,551

Interest expense (all funds) for the year ended June 30, 2016 was $456,723.

On December 1, 2003, the District issued Energy Conservation bonds for $870,000 in general obligation bonds, due in annual installments of $60,000 to $75,000 through May 1, 2019, with interest at a rate of 4.15% due semi-annually.

The District has defeased certain general obligation 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 District's financial statements. At June 30, 2016, $10,620,000 of bonds outstanding are considered defeased.

On February 1, 2007, the District refunded $7,495,000 of the 2004 term bonds and added additional bonds in the amount of $455,000. The $7,950,000 2007 term bonds carry interest rates from 4.000% to 4.125%. The 2007 refunding enabled the District to reduce its total debt service payments over the next twenty-seven years by $406,167 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of $265,093.

On November 26, 2013, the District refunded $7,860,000 of the 2004 term bonds and issued bonds totaling $3,755,000. The 2013 term bonds carry interest rates from 2.000% to 4.000%. The 2013 refunding enabled the District to reduce its total debt service payments over the next ten years by $307,538 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of $181,639.

On August 1, 2015, the District purchased a school bus with an installment agreement, due in annual installments of $5,673, through January 1, 2020, with interest at a rate of 1.98%.

DEBT SERVICE REQUIREMENTS:
The annual requirements to amortize long-term debt outstanding as of June 30, 2016 are as follows:

YEAR ENDED JUNE 30,	PRINCIPAL	INTEREST	TOTAL
2017	$ 465,435	$ 445,596	$ 911,031
2018	485,643	427,121	912,764
2019	505,855	415,073	920,928
2020	451,071	395,745	846,816
2121	470,614	377,925	848,539
2022-2026	2,820,000	1,586,144	4,406,144
2027-2031	3,520,000	960,077	4,480,077
2032-2037	2,495,000	208,518	2,703,518
	11,213,618	4,816,199	16,029,817
Premium on bond refunding	163,158		163,158
Discount on bond refunding	(123,765)		(123,765)
Accumulated compensated absence	207,540	-	207,540
	$ 11,460,551	$ 4,816,199	$ 16,276,750

A fund balance amount of $275,896 is available in the debt service fund to service the general obligation debt.

NOTE 7 - OPERATING LEASES:

The District has an operating lease for various copy machines that includes a maintenance agreement. Future minimum payments are as follows:

June 30, 2017	$23,874
June 30, 2018	$20,447

Lease and maintenance expense on the office equipment for the current year was $23,874.

NOTE 8 – INTERFUND RECEIVABLES AND PAYABLES:

Interfund receivable and payable balances at June 30, 2016 are as follows:

Receivable Fund		Payable Fund	
General Fund	$ 166,552	Debt Service Fund	$ 15,155
		Nonmajor Fund	151,397
	$ 166,552		$ 166,552

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

NOTE 9 - DEFINED BENEFIT PENSION PLAN AND POST-EMPLOYMENT BENEFITS:

Plan Description - The Michigan Public School Employees' Retirement System (MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at hhttp:///michigan.gov/mepsers-cafrl.

Benefits Provided - Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the pension plans offered by MPSERS is as follows:

Plan Name	Plan Type	Plan Status
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Retirement benefits for DB plan members are determined by final average compensation and years of service. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic Plan member's contributions range from 0%-4%. ON January 1,1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1,1990, contributed at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1,1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contribution rates from 3.0%-7.0%.

Pension Reform 2010 - On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPSERS) who became a member of MPSERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012 - On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013. Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund. Members who elected under option 1 to increase their level of contributions contribute 4% (Basic Plan) or 7% (MIP).

Regular Retirement (no reduction factor for age)

Eligibility - Age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, any age with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years. For Pension Plus (PPP) members, age 60 with 10 years of credited service.

Annual Amount - Total credited service as of the Transition Date times 1.5% of final average compensation.

Pension Plus

An amount determined by the member's election of Option 1, 2, 3, or 4 described below.

Option 1 - Credited Service after the Transition Date times 1.5% times FAC.

Option 2 - Credited Service after the Transition Date (until total service reaches 30 years) times 1.5% times FAC, PLUS Credited Service after the Transition Date and over 30 years times 1.25% times FAC.

Option 3 - Credited Service after the Transition Date times 1.25% times FAC.

Option 4 - None (Member will receive benefit through a Defined Contribution plan). As a DC participant they receive a 4% employer contribution to a tax - deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS.

Employees who first work on or after September 4, 2012 choose between two retirement plans: the Pension Plus plan and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

<u>Final Average Compensation</u> - Average of highest 60 consecutive months (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected option 4, in which case the FAC is calculated at the Transition Date.

Member Contributions

Depending on the plan selected, member contribution range from 0%-7%. Plan members electing the defined contribution plan are not required to make additional contributions.

Employer Contributions

Reporting units are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statue and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

School District's contributions are determined based on employee election. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

October 1, 2014 - September 30, 2015	18.76% - 23.07%
October 1, 2015 - September 30, 2016	14.56% - 18.95%

The District's pension contributions for the year ended June 30, 2016 were equal to the required contribution total. Pension contributions were approximately \$839,000, with \$826,000 specifically for the Defined Benefit Plan. These amounts include contributions funded from state revenue Section 147c restricted to fund the MEPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate. (69.45% for pension and 30.55% for OPEB)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liabilities

At June 30, 2016, the District reported a liability of $8,992,640 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2014. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2015 and 2014, the District's proportion was .03682 and .03507 percent.

MEPSERS (Plan) Non-university employers:		September 30, 2015		September 30, 2014
Total Pension Liability	$	66,312,041,902	$	65,160,887,182
Plan Fiduciary Net Position	$	41,887,015,147	$	43,134,384,072
Net Pension Liability	$	24,425,026,755	$	22,026,503,110
Proportionate Share		0.03682		0.03507
Net Pension Liability for the District	$	8,992,640	$	7,724,893

Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the Reporting Unit recognized pension expense of $851,097. This amount excludes contributions funded from state revenue Section 147c restricted to fund MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate. These amounts have been recorded as a deferred outflow as of June 30, 2016

At June 30, 2016, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		Deferred Outflows of Resources		Deferred (Inflows) of Resources
Change of assumptions	$	221,418		
Net difference between projected and actual earnings on pension plan investments		45,900		
Difference between expected and actual experience			$	(29,786)
Changes in proportion and differences between employer contributions and propionate share of contributions.		338,234		
Reporting Unit contributions subsequent to the measurement date		736,048		
Total	$	1,341,600	$	(29,786)

$736,048 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the next year.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	Amount
2016	$ 116,261
2017	116,261
2018	104,255
2019	238,989

Actuarial Assumptions

Investment rate of return - 8.0% a year, compounded annually net of investment and administrative expenses for the Non-Hybrid groups and 7.0% a year, compounded annually net of investment and administrative expenses for the Hybrid group (Pension Plus plan).

Salary increases - The rate of pay increase used for individual members is 3.5%.

Inflation - 2.1%

Mortality assumptions - RP2000 Combined Healthy Life Mortality table, adjusted for mortality improvements to 2020 using projections scale AA for men and women were used.

Experience study **-** The annual actuarial valuation report of the System used for these statements is dated September 30, 2014. Assumption changes as a result of en experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

The long-term expected rate of return on pension plan investments - The rate was 8% (7% Pension Plus Plan) net of investment and administrative expenses was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Investment Category	Target Allocation	Long-term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.9%
Alternate Investment Pools	18.0%	9.2%
International Equity	16.0%	7.2%
Fixed Income Pools	10.5%	0.9%
Real Estate and Infrastructure Pools	10.0%	4.3%
Absolute Return Pools	15.5%	6.0%
Short Term Investment Pools	2.0%	0.00%
Total	100.0%	

*****Long term rate of return does not include 2.1% inflation.

Discount rate **-** The discount rate used to measure the total pension liability was 8% (7% for Pension Plan Plus). The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from school districts will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the Reporting Unit's proportionate share of the net pension liability calculated using the discount rate of 8.0 percent (7% for Pension Plus Plan), as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Lower (6.0% - 7.0%)	Discount Rate (7.0% - 8.0%)	1% Higher (8.0% - 9.0%)
Reporting Unit's proportionate share of the net pension liability	$11,593,819	$8,992,640	$6,799,740

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2015 Comprehensive Annual Financial Report.

Payable to Pension Plus Plan

At year end the School Distinct is current on all required pension plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers and the contributions due funded from state revenue Section 147c restricted to fund MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate.

Benefit Provisions - Other Postemployment

Introduction

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage. Beginning fiscal year 2013, it will be funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to annually contribute 3% of their compensation to offset employer contributions for health care benefits of current retirees.

Retiree Healthcare Reform of 2012

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after December 1, 2012.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions will be deposited into their 401(k) accounts.

Employer Contributions

The employer contribution rate ranged from 5.52% to 6.45% of covered payroll for the period October 1, 2013 to September 30, 2014, 2.2% to 2.71% of covered payroll for the period from October 1, 2014 to September 30, 2015, and from 6.4 % to 6.83 % of covered payroll for the period from October 1, 2015 through June 30, 2016 dependent upon the employee's date of hire and plan election.

The District postemployment healthcare contributions to MPSERS for the year ended June 30, 2016, 2015 and 2014 were approximately $275,000, $378,000 and $208,000.

NOTE 10 – COMMITMENTS:

The District has active capital projects outstanding at June 30, 2016. $87,474 is restricted and recorded as fund balance in the Capital Projects Fund.

NOTE 11 - RISK MANAGEMENT:

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. With regard to injuries to employees, the District participates in an association of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The association is considered a public entity risk sharing pool. The District pays annual premiums to the association for its workers' disability compensation coverage. In the event the association's total claims and expenses for a policy year exceeded the total normal annual premiums for said years, all members of the policy year may be subject to special assessment to make up the deficiency. The association maintains reinsurance for claims in excess of $500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required. The program is recorded in the general fund.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance, torts, theft of, damage to and destruction of assets and errors & omissions.

NOTE 12 – TRANSFERS:

The food service fund transferred $22,037 to the general fund for indirect cost reimbursement.

NOTE 13 – SUBSEQUENT EVENT:

The District has approved borrowing $1,468,000, at an anticipated rate of 1.04%, for fiscal year 2017 to replace the note payable as described in Note 5.

NOTE 14 – UPCOMING ACCOUNTING PRONOUNCEMENT:

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued by the GASB in June 2015 and will be effective for the District's 2018 fiscal year. The Statement requires governments that participate in defined benefit other post-employment benefit (OPEB) plans to report in the statement of net position a net OPEB liability. The net OPEB liability is the difference between total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Statement 75 requires cost-sharing employers to record a liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the postemployment benefits liabilities and expense.

Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, was issued by the GASB in August 2015 and will be effective for the District's 2017 year end. The Statement requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements in their footnotes of the financial statements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatements recipients.

- The gross dollar amount of taxes abated during the period

- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement

This Statement will improve the user's ability on how tax abatements affect the reporting unit's financial positions and results of operations, including their ability t raise resources in the future.

REQUIRED SUPPLEMENTARY INFORMATION

MAYVILLE COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Local sources				
Property tax	$ 640,047	$ 640,047	$ 649,362	$ 9,315
Tuition	-	-	1,125	1,125
Investment earnings	1,732	1,732	2,749	1,017
Other	128,269	165,853	169,151	3,298
Total local sources	770,048	807,632	822,387	14,755
State sources	4,882,800	4,883,998	4,896,255	12,257
Federal sources	513,909	613,454	591,679	(21,775)
Incoming transfers and other	2,800	22,735	46,474	23,739
TOTAL REVENUES	6,169,557	6,327,819	6,356,795	28,976
EXPENDITURES				
Instruction				
Basic programs	3,024,164	3,134,225	3,167,588	(33,363)
Added needs	765,715	760,908	763,061	(2,153)
Total Instruction	3,789,879	3,895,133	3,930,649	(35,516)
Supporting Services				
Pupil services	226,754	186,211	201,244	(15,033)
Staff services	79,715	116,180	108,883	7,297
General administration	177,937	196,989	207,258	(10,269)
School administration	334,376	436,233	432,456	3,777
Business services	105,929	122,192	122,413	(221)
Operations and maintenance	728,261	762,606	833,989	(71,383)
Pupil transportation	306,187	275,215	261,924	13,291
Central services	64,595	97,476	101,374	(3,898)
Athletic activities	193,260	197,677	208,207	(10,530)
Total Supporting Services	2,217,014	2,390,779	2,477,748	(86,969)
Community Services	6,455	5,941	5,799	142
Other Transactions	-	5,320	6,515	(1,195)
Debt Service				
Principal repayment	70,232	70,232	70,232	-
Interest	7,829	12,154	12,154	-
Total Debt Service	78,061	82,386	82,386	-
TOTAL EXPENDITURES	6,091,409	6,379,559	6,503,097	(123,538)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	78,148	(51,740)	(146,302)	(94,562)
OTHER FINANCING SOURCES (USES):				
Proceeds from debt	-	-	53,850	53,850
Transfer in	-	-	22,037	22,037
Sale of capital assets	-	11,001	11,001	-
TOTAL OTHER FINANCING SOURCES (USES)	-	11,001	86,888	75,887
CHANGE IN FUND BALANCE	$ 78,148	$ (40,739)	(59,414)	$ (18,675)
FUND BALANCE - BEGINNING OF YEAR			391,776	
FUND BALANCE - END OF YEAR			$ 332,362	

MAYVILLE COMMUNITY SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE
SHARE OF THE NET POSITION LIABILITY
MICHIGAN PUBLIC SCHOOLS EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED
AS OF 9/30 OF EACH FISCAL YEAR)

	2015	**2014**
Reporting unit's proportion of net pension liability (%)	0.03682%	0.03507%
Reporting unit's proportionate share of net pension liability	$ 8,992,640	$ 7,724,893
Reporting unit's covered-employee payroll	$ 3,282,197	$ 3,173,659
Reporting unit's proportionate share of net pension liability as a percentage of it covered-employee payroll	273.98%	243.41%
Plan fiduciary net position as a percentage of total pension liability	63.17%	66.20%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

MAYVILLE COMMUNITY SCHOOLS

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE REPORTING UNIT'S CONTRIBUTIONS

MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN

LAST 10 FISCAL YEARS (AMOUNTS WERE DETERMINED

AS OF 6/30 OF EACH FISCAL YEAR END)

	2016	2015
Statutorily required contributions	$ 825,933	$ 685,730
Contributions in relation to statutorily required contributions	825,933	685,730
Contribution deficiency (excess)	$ -	$ -
Reporting unit's covered-employee payroll	$ 3,042,116	$ 3,435,314
Contributions as a percentage of covered-employee payroll	27.15%	19.96%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

MAYVILLE COMMUNITY SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2016

Changes of benefit terms: There were no changes of benefit terms.

Changes of assumptions: There were no changes for benefit assumption 2015.

ADDITIONAL SUPPLEMENTARY INFORMATION

MAYVILLE COMMUNITY SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
June 30, 2016

	SPECIAL REVENUE-FOOD SERVICE	CAPITAL PROJECTS	TOTAL NONMAJOR FUNDS
ASSETS			
Cash & equivalents	$ 165,521		$ 165,521
Prepaid expenditures	85		85
Due from other governmental units	1,909		1,909
Restricted investments		$ 84,474	84,474
TOTAL ASSETS	***$ 167,515***	***$ 84,474***	***$ 251,989***
LIABILITIES AND FUND BALANCES			
Unearned revenue	$ 2,954	-	$ 2,954
Due to other funds	151,397	-	151,397
TOTAL LIABILITIES	154,351	-	154,351
FUND BALANCES			
Fund balances:			
Nonspendable - prepaid expenditures	85		85
Restricted for:			
Capital projects		$ 84,474	84,474
Food service	13,079		13,079
TOTAL FUND BALANCES	13,164	84,474	97,638
TOTAL LIABILITIES AND FUND BALANCES	***$ 167,515***	***$ 84,474***	***$ 251,989***

MAYVILLE COMMUNITY SCHOOLS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGE IN NONMAJOR FUND BALANCES
YEAR ENDED JUNE 30, 2016

	SPECIAL REVENUE-FOOD SERVICE	CAPITAL PROJECTS	TOTAL NONMAJOR FUNDS
REVENUES			
Local sources			
Investment earnings		$ 172	$ 172
Food sales	$ 67,648		67,648
Total local sources	67,648	172	67,820
State sources	10,176		10,176
Federal sources	278,197		278,197
TOTAL REVENUES	356,021	172	356,193
EXPENDITURES			
Food services	332,794		332,794
TOTAL EXPENDITURES	332,794	-	332,794
OTHER FINANCING SOURCES (USES):			
Fund transfer out	(22,037)		(22,037)
TOTAL OTHER FINANCING SOURCES (USES):	(22,037)	-	(22,037)
CHANGE IN FUND BALANCES	1,190	172	1,362
FUND BALANCES AT BEGINNING OF YEAR	11,974	84,302	96,276
FUND BALANCES AT END OF YEAR	$ 13,164	$ 84,474	$ 97,638

MAYVILLE COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT - SCHOOL BUILDING & SITE
June 30, 2016

Refunding bonds in the amount of $3,755,000 were issued November 26, 2013 to refinance $3,860,000 of the 2004 Bonds (due to mature in the years 2015-2023).

PRINCIPAL DUE MAY	RATE	INTEREST DUE MAY	INTEREST DUE NOVEMBER	DEBT SERVICE REQUIREMENT FOR FISCAL YEAR JUNE 30	AMOUNT
$ 390,000	4.00	$ 56,050	$ 56,050	2017	$ 502,100
405,000	2.00	48,250	48,250	2018	501,500
420,000	4.00	44,200	44,200	2019	508,400
440,000	4.00	35,800	35,800	2020	511,600
425,000	4.00	27,000	27,000	2021	479,000
445,000	4.00	18,500	18,500	2022	482,000
480,000	4.00	9,600	9,600	2023	499,200
$ 3,005,000		$ 239,400	$ 239,400		$ 3,483,800

MAYVILLE COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT - SCHOOL BUILDING & SITE
June 30, 2016

Refunding bonds in the amount of $7,950,000 were issued February 1, 2007 to refinance $7,495,000 of the 2004 Bonds (due to mature in the years 2024-2034) and new bonds were issued for $455,000.

PRINCIPAL DUE MAY	RATE	INTEREST DUE MAY	INTEREST DUE NOVEMBER	DEBT SERVICE REQUIREMENT FOR FISCAL YEAR JUNE 30	AMOUNT
		$ 161,935	$ 161,934	2017	$ 323,869
		161,935	161,934	2018	323,869
		161,935	161,934	2019	323,869
		161,935	161,934	2020	323,869
$ 40,000	4.000%	161,935	161,934	2021	363,869
45,000	4.000%	161,135	161,134	2022	367,269
45,000	4.000%	160,235	160,234	2023	365,469
580,000	4.000%	159,335	159,334	2024	898,669
600,000	4.000%	147,735	147,734	2025	895,469
625,000	4.000%	135,735	135,734	2026	896,469
645,000	4.000%	123,235	123,234	2027	891,469
675,000	4.000%	110,335	110,334	2028	895,669
700,000	4.125%	96,835	96,834	2029	893,669
735,000	4.125%	82,397	82,397	2030	899,794
765,000	4.125%	67,237	67,237	2031	899,474
800,000	4.125%	51,459	51,459	2032	902,918
830,000	4.125%	34,959	34,959	2033	899,918
865,000	4.125%	17,841	17,841	2034	900,682
$ 7,950,000		$ 2,158,148	$ 2,158,135		$ 12,266,283

MAYVILLE COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT - ENERGY
June 30, 2016

In December 2003, the District sold Energy Bonds in the amount of $870,000 for the purpose of upgrading facilities and instituting energy saving measures.

PRINCIPAL DUE MAY	RATE	INTEREST DUE MAY	INTEREST DUE NOVEMBER	DEBT SERVICE REQUIREMENT FOR FISCAL YEAR JUNE 30	AMOUNT
$ 65,000	4.15	$ 4,358	$ 4,358	2017	$ 73,716
70,000	4.15	3,009	3,009	2018	76,018
75,000	4.15	1,556	1,556	2019	78,112
$ 210,000		$ 8,923	$ 8,923		$ 227,846

MAYVILLE COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE GRANTOR NUMBER	FEDERAL CFDA NUMBER	GRANT/PROJECT NUMBER	APPROVED GRANT AWARD AMOUNT	ACCRUED (UNEARNED) REVENUE 6/30/2015	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	CURRENT YEAR EXPENDITURES	ACCRUED (UNEARNED) REVENUE 6/30/2016
U.S. DEPARTMENT OF AGRICULTURE:								
Passed through Michigan Dept. of Education:								
Child Nutrition Cluster:								
Non-cash assistance (commodities)								
National School Program - entitlement	10.555	N/A	$ 23,113	$ -	$ -	$ 23,113	$ 23,113	$ -
Cash assistance:								
National School Lunch	10.555	151960	16,735			16,735	16,735	-
		161960	155,351	-	-	155,351	155,351	-
National School Lunch Subtotal			195,199	-	-	195,199	195,199	-
National School Breakfast	10.553	151970	7,544			7,544	7,544	-
		161970	75,454			75,454	75,454	-
National School Breakfast Subtotal			82,998	-	-	82,998	82,998	-
Total Child Nutrition Cluster			278,197	-	-	278,197	278,197	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			278,197	-	-	278,197	278,197	-
U.S. DEPARTMENT OF EDUCATION:								
Passed through Michigan Dept. of Education:								
Title I Part A Cluster:								
Title I Part A - Improving Basic Programs	84.010	141530-1314	307,353	(3,249)	27,969	(4,353)	(1,104)	-
Title I Part A - Improving Basic Programs		151530-1415	314,280	215,663	215,663	222,575	6,912	-
Title I Part A - Improving Basic Programs		161530-1516	330,189			236,114	330,189	94,075
Total Title I Part A Cluster			951,822	212,414	243,632	454,336	335,997	94,075

(Continued)

MAYVILLE COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE GRANTOR NUMBER	FEDERAL CFDA NUMBER	GRANT/PROJECT NUMBER	APPROVED GRANT AWARD AMOUNT	ACCRUED (UNEARNED) REVENUE 6/30/2015	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	CURRENT YEAR EXPENDITURES	ACCRUED (UNEARNED) REVENUE 6/30/2016
U.S. DEPARTMENT OF EDUCATION: (Continued)								
Passed through Michigan Dept. of Education:								
Title VI Part B	84.358	150660-1415	$ 16,223	$ 14,059	$ 14,509	$ 14,462	$ 403	-
Title VI Part B		160660-1516	11,908			5,424	11,908	$ 6,484
			28,131	14,059	14,509	19,886	12,311	6,484
	84.367	150520-1415	92,400	66,310	66,310	66,310	-	-
Title II A Teacher/Principal Training & Recruiting		160520-1516	81,699			70,725	81,699	10,974
			174,099	66,310	66,310	137,035	81,699	10,974
Total passed through Michigan Dept. of Education			1,154,052	292,783	324,451	611,257	430,007	111,533
Passed through Tuscola Intermediate School District								
Special Education IDEA Cluster:								
IDEA Flowthrough	84.027A	150450-1415	175,436	27,404	175,437	27,404	-	-
IDEA Flowthrough		160450-1516	161,672			98,435	161,672	63,237
Total Special Education IDEA Cluster			337,108	27,404	175,437	125,839	161,672	63,237
Total passed through Tuscola Intermediate School District			337,108	27,404	175,437	125,839	161,672	63,237
TOTAL U.S. DEPARTMENT OF EDUCATION			1,491,160	320,187	499,888	737,096	591,679	174,770
TOTAL FEDERAL FINANCIAL ASSISTANCE			$ 1,769,357	$ 320,187	$ 499,888	$ 1,015,293	$ 869,876	$ 174,770

The accompanying notes are an integral part of this schedule.

MAYVILLE COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

1. Basis of Presentation - The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Mayville Community Schools programs of the federal government for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Mayville Community Schools, it is not intended to and does not present the financial position or changes in net position of Mayville Community Schools.

   The District qualifies for low-risk auditee status. Management has utilized the Cash Management System and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards. The District does not pass through federal funds.

2. Summary of Significant Accounting Policies – Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-87, Cost Principles for States, Local and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Mayville Community Schools has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. Reconciliation with Audited Financial Statements - Federal expenditures are reported as revenue in the following funds n the basic financial statements:

General Fund	$ 591,679
Other Nonmajor Governmental Funds	278,197
Total	$ 869,876

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Education
Mayville Community Schools
Mayville, MI 48744

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mayville Community Schools as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Mayville Community Schools' basic financial statements and have issued our report thereon dated October 7, 2016.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered Mayville Community Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mayville Community Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Mayville Community Schools' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Mayville Community Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CARO, MICHIGAN

October 7, 2016

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Education
Mayville Community Schools
Mayville, MI 48744

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Mayville Community Schools’ compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Mayville Community Schools’ major federal programs for the year ended June 30, 2016. Mayville Community Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

MANAGEMENT’S RESPONSIBILITY

Management is responsible for compliance with the federal statutes, regulations, contracts, and the terms and conditions of its federal awards applicable to its federal programs.

AUDITOR’S RESPONSIBILITY

Our responsibility is to express an opinion on Mayville Community Schools' compliance based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mayville Community Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Mayville Community Schools' compliance.

OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, Mayville Community Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

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REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of Mayville Community Schools is responsible for establishing and maintaining effective internal control over compliance with the requirements referred to above. In planning and performing our audit of compliance, we considered Mayville Community Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mayville Community Schools' internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CARO, MICHIGAN

October 7, 2016

MAYVILLE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? ______Yes __X__No
- Significant deficiency(ies) identified? ______Yes __X__None reported

Noncompliance material to financial statements noted? ______Yes __X__No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____Yes __X__No
- Significant deficiency(ies) identified? _____Yes __X__None reported

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with Title 2 CFR 200.516(a) ______Yes __X__No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I Part A Cluster

Dollar threshold used to distinguish between Type A and Type B Programs: $750,000

Auditee qualified as low-risk auditee? __X__Yes _____No

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

MAYVILLE COMMUNITY SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2016

There were no audit findings in either of the previous two years.

To the Members of the Board
Mayville Community Schools

We have audited the financial statements of ***Mayville Community Schools*** for the year ended ***June 30, 2016*** and have issued our report thereon dated October 7, 2016. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)
As stated in our engagement letter dated, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit of the financial statements, we considered ***Mayville Community Schools'*** internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether ***Mayville Community Schools'*** financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with the Uniform Guidance, we examined, on a test basis, evidence about ***Mayville Community Schools'*** compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on ***Mayville Community Schools'*** compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on ***Mayville Community Schools'*** compliance with those requirements.

Planned Scope and Timing of the Audit
We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 21, 2016.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by ***Mayville Community Schools*** are described in Note 1 to the financial statements. The application of existing policies was not changed during 2016. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by ***Mayville Community Schools*** during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Estimates have been used to calculate the net pension liability.

Estimates have been used in calculating the liability for employee compensated absences.

The estimated liability is approximately $207,540. We evaluated the key factors and assumptions used to develop the balance of employee compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. We have proposed adjustments that we consider to be significant and have communicated this to management.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 7, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to ***Mayville Community Schools'*** financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as ***Mayville Community Schools'*** auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Management's Discussion & Analysis, Budgetary Comparison Schedules, and the Schedules of Reporting Unit's Contributions and Proportionate Share of the Net Pension Liability, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, other knowledge we obtained during the audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Additional Supplementary Information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing this information to determine that the information complies with accounting principles general accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the additional supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Members of the Board and management of ***Mayville Community Schools*** and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Anderson, Tuckey, Bernhardt & Doran, P.C.

Anderson, Tuckey, Bernhardt, & Doran, P.C.
Certified Public Accountants
Caro, Michigan

October 7, 2016

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

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Members of the Board
Mayville Community Schools

In planning and performing our audit of the financial statements of the ***Mayville Community Schools*** as of and for the year ended June 30, 2016, we considered the ***Mayville Community Schools'*** internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 7, 2016, on the financial statements of ***Mayville Community Schools***. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

Budget Variances (repeat comment)
At the close of the year, the General Fund of the District had significant unfavorable expenditure variances at the function level. The Michigan Department of Education considers these types of variances budget violations. We recommend the District regularly compare actual expenditures to budgeted amounts and make necessary amendments to avoid significant unfavorable variances and budget violations in the future.

Journal Entries
An excessive number of journal entries were made during the course of our audit subsequent to year end. While the District was aware of most of these entries, the entries were not made prior to the audit. The District should make necessary entries throughout the year to ensure accurate budgeting and improve overall analysis of their financial position.

Federal Policies & Procedures
We recommend the District review it's policies and procedures for federal programs to ensure they comply with Uniform Grant Guidance implemented during the past fiscal year. These standards should be reviewed periodically to make sure the District is in compliance with all federal guidelines to prevent any reductions in funding.

This communication is intended solely for the information and use of management and others within the governmental unit and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to be of service to the ***Mayville Community Schools*** and look forward each year to continuing our relationship. The cooperation extended to us by your staff throughout the audit was greatly appreciated. Should you wish to discuss any item included in this letter further, we would be happy to do so.

Very truly yours,

Anderson, Tuckey, Bernhardt & Doran, P.C.

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October 7, 2016

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