MAYVILLE COMMUNITY SCHOOLS

Mayville, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary and
additional information)
June 30, 2006

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August 4, 2006

INDEPENDENT AUDITOR'S REPORT

Board of Education
Mayville Community Schools
Mayville, Michigan

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, 2006, which collectively comprise the basic financial statements of the District's primary government as listed in the table of contents. These financial statements are the responsibility of Mayville Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Mayville Community Schools as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4,2006 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* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages *i* through *viii* and page 22, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Board of Education
Mayville Community Schools
August 4,2006

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mayville Community Schools' basic financial statements. The combining and individual nonmajor fund financial statements and supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

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

MAYVILLE COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Mayville Community Schools has implemented Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. Our discussion and analysis of Mayville Community Schools' financial performance, a GASB 34 requirement, provides an overview of the School District's financial activities for the fiscal year ended June 30, 2006.

This reporting model was adopted by the Governmental Accounting Standards Board (GASB) in *Statement No. 34 basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* issued in June 2000. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL POSITION AND RESULTS OF OPERATIONS

The District's *net assets* – the difference between assets and liabilities, as reported in the Statement of net Assets, is one way to measure the School District's financial health, or *financial position.* Over time, *increases or decreases* in the District's net assets, as reported in the Statement of Activities, is one indicator of whether its *financial health* is improving or deteriorating. The relationship between revenues and expenses indicates the School District's *operating results.* However, the School District's goal is to provide services to its students, not to generate profits as commercial entities do. Many other non-financial factors, such as the quality of the education provided and the safety of the schools, must also be considered when assessing the *overall health* of the School District.

The School District's net assets totaled $1,661,266 and $1,020,140 at June 30, 2006 and 2005, respectfully. The following is a summary of the District's net assets at June 30, 2006 and 2005:

Assets	**2006**	**2005**
Current assets	$ 10,396,783	$ 15,445,602
Capital assets net depreciation	10,321,733	3,253,362
Total assets	$ 20,718,516	$ 18,698,964
Liabilities		
Current liabilities	$ 4,137,008	$ 2,324,152
Long-term liabilities	14,920,242	15,354,672
Total liabilities	19,057,250	17,678,824
Net Assets		
Invested in capital assets, net of related debt	(4,926,814)	(12,355,598)
Restricted for capital projects	6,204,078	13,044,433
Restricted for debt service	408,438	296,031
Unrestricted	(24,436)	35,274
Total net assets	1,661,266	1,020,140
Total liabilities and net assets	$ 20,718,516	$ 18,698,964

Total net assets increased to $1,661,266 in 2005-06 compared to a total of $ 1,020,140 in net assets in 2004-2005, an increase of $ 641,126. The major components of the increase in net fixed assets are as follows:

- Building Project

  Capital assets net value increased as a result of the 14.54 million dollar building project

The results of this year's operations for the School District as a whole are reported in the Statement of Activities. A summary of the District-wide results of operations for the year ended June 30, 2006 is as follows:

	2006		2005
Revenues			
Program Revenues			
Fees for services	$ 212,244		$ 267,754
Operating grants	615,346		564,691
General revenue			
State Foundation	7,606,850		7,362,663
Property Taxes	1,336,872		1,267,817
Other	606,798		251,283
Total Revenues	**$10,378,110**		**9,714,208**
Expenses			
Instruction	$5,411,897		$5,554,527
Support Services	2,708,794		2,889,295
Community Services	579		8,074
Food Service	401,704		411,018
Athletics	218,364		235,919
Capital Projects	7,523		
Capital Outlay (noncapitalized)	8,383		89,005
Interest on long-term debt	710,573		379,437
Depreciation	269,167		276,177
Total Expenses	**$9,736,984**		**$9,843,452**

INCREASES IN NET ASSETS	2006	2005
Net assets – July 1	$1,020,140	$ 1,149,384
Net assets – June 30	1,661,266	1,020,140
Total	$ 641,126	$ (129,244)

GOVERNMENTAL FUNDS FINANCIAL HIGHLIGHTS

The financial condition of the governmental funds changed significantly as indicated by the combined fund balance of $6,959,822 in 2005-06, compared to $13,757,995 in 2004-05. This change is largely a result of expending funds collected from passing the bond issue for the building project.

In the General Fund, our principal operating fund, the fund balance increased $ 21,046. This minor increase was the result of a combination of a reduction in spending, an increase in state funding, and lower than normal increases in health and retirement costs.

For the 2005-06 fiscal year, the Debt Service Fund millage rate was 17.9334 mills. Millage rates are determined annually to ensure the School District accumulated sufficient resources to pay annual bond issue-related debt service.

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS

The School District's budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year, before student enrollment counts are known. Therefore, it is expected that there will be changes between the initial budget and subsequent budgets, as actual enrollments, actual State Aid per pupil and staffing changes are known. Currently, the most significant budgeted fund is the General Fund. During the fiscal year ended June 30, 2006, the School District amended the budget of this major governmental fund three times.

General Fund

In the general fund, the actual revenue was $8,566,286. This is below the original budget estimate of $8,582,471 and above the final amended budgeted amount of $8,497,751.

General Fund revenues totaled $8,566,286 and total expenditures $8,217,929 for the year. The fund balance was $312,981 at June 30, 2006.

GOVERMENTAL FUND EXPENDITURES

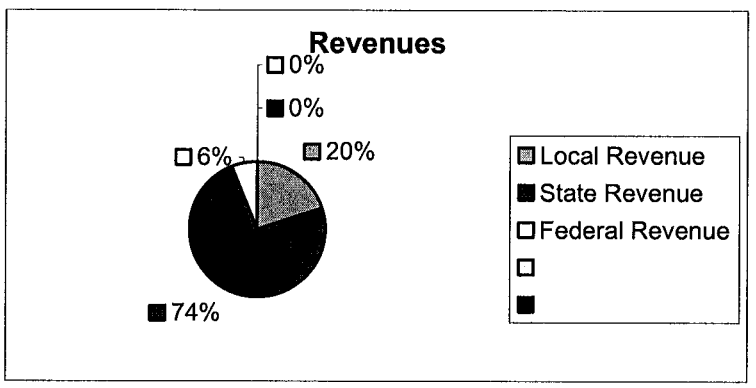
The following chart illustrated that general fund comprises 48 % of all the expenditures within the governmental funds of the School District. As of June 30, 2006 expenditures totaled $16,983,987 for all District programs. The ending fund balance for all funds was equal to $6,959,822.

	June 30, 2006	% of TOTAL
General Fund	$ 8,217,929	48%
Special Revenue Fund	$ 642,813	4%
Debt Retirement Fund	$ 811,429	5%
Capital Projects Fund	$ 7,311,816	43%
Total	$16,983,987	100.0%

TOTAL REVENUES

Revenues for all governmental funds totaled $10,342,993 in fiscal year 2005-2006. The following graph illustrates the District revenues by source as a percentage of total revenue:

Local Revenue	$2,120,797	20.5%
State Revenue	7,609,768	73.5%
Federal Revenue	612,428	6%
Net	$10,342,993	100%



Unrestricted State Aid

The district is predominately funded by State Aid, which has remained as the same level for 2 of the last three school years; however, for the 2005-06 fiscal year, the State raised the level of funding to $6,875 per pupil. State Aid membership was $6,700 per pupil in 2004-05 and 2003-04.

Property Taxes

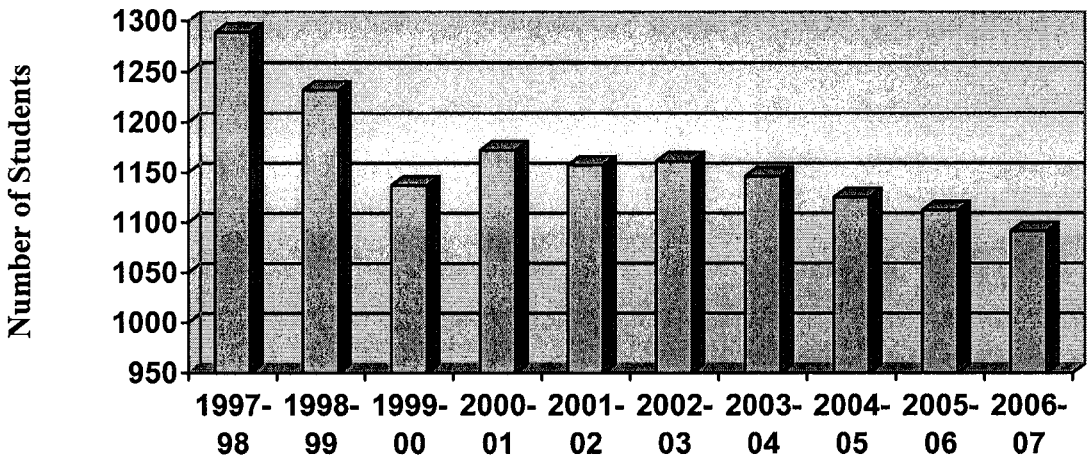
The District levied 17.9334 mills, of property taxes on all Non-Homestead property located within the district for General Fund operations during the 2005-06 school year. This millage rate was below the 18 mills that the district levied in the 2004-05 school year. The levy is assessed on the taxable value of the property. The increase in taxable value is limited to the lesser of the inflation rate of the prior year or 5%. When a property is sold, the taxable valuation of the sold property is readjusted to the State Equalized Value, which is approximately 50% of market value. The 2005-06 Non-homestead property tax levy totaled approximately $497,562.

The District levies 6.0000 mills of property taxes on all classes or property located within the district for bonded debt retirement. This levy is not subject to rollback provisions and is used to pay the principal and interest on bond obligations. The total amount levied for debt retirement in the 2005-06 year was $857,137.

Enrollment

The enrollment of Mayville Community Schools totaled 1112 students in 2005-06. This is a decrease in enrollment of 7 students from the 2004-05 year. The School District is located in Tuscola and Lapeer Counties and it is considered a rural community. The School District's enrollment includes students K-12 and Before K students, located in learning centers in Mayville.

Enrollment over the last eight years, plus a 2006-07 projection is illustrated as follows:



Enrollment is important to the financial health of the School District because State funding is based on a per-pupil formula. For the fiscal year ended June 30, 2006, the gross per-pupil allowance was $6,875.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2006, the School District had $14,383,857 invested in land and buildings, furniture and equipment, vehicles and buses. Of this amount, $4,272,732 has been depreciated. Net book value totals $10,111,125. The majority of the buildings have been either constructed or remodeled as a result of the 2004 Bond Issue. The district is committed to the timely repairs and maintenance of its facilities. The District's capitalization policy threshold is $1,000.

	Governmental Activities
Construction in Progress	$ 7,868,712
Land and Improvements	86,194
Buildings and Additions	4,958,236
Machinery and Equipment	524,487
Vehicles & Buses	946,228
Total	$14,383,857

Debt

OUTSTANDING DEBT AT YEAR-END

At June 30, 2006, the School District had $15.9 million in debt outstanding as compared to $1.8 million at the end of the previous year. The bonds outstanding consisted of the following:

Bus Notes	$ 66,675
Energy Notes	780,000
Durant Issue	78,968
School Improvement Notes	275,000
2004 Building and Site Bonds	13,755,000
Installment Loans	82,295
Compensated absences and incentives	461,115

It needs to be noted that the Durant Issue is a legal obligation of the School District, but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payment. If the legislature fails to appropriate for these bonds, the School District is under no obligation for payment. The School District's General Obligation Bond rating continues to be equivalent to the State's credit rating.

State statutes limit the amount of debt school can issue. The School District's outstanding debt of $16.5 million is under the statutory imposed limits.

For more detailed information regarding capital assets and debt administration, please review the Notes to the Basic Financial Statements located in the financial section of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The School District's revenue is heavily dependent on enrollment, State funding, and thus, the health of the State's School Aid Fund. The State periodically holds revenue consensus conferences to estimate its revenues. Based on the results of these conferences, the State determines whether they have sufficient funds to meet the $7,108 per student allocation that they have indicated that they will fund for the 2006-07 school year. It is because of the uncertainty of the funding level, that the district chose to budget the per pupil allocation at $7075.

The State's current blending formula (20% February 2005 count and 80% September 2006 count) is the same formula that was used in the 2005-06 school year. The district's blended count is projected to be lower in the 2006-07 school year.

Even if the State revenues improve, future budget reductions may be required to handle the increasing costs, such as health insurance, State mandated retirement contributions and the ever-increasing costs of fuel and the utilities because the district's population will continue to decline.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This report is designed to give an overview of the financial conditions of Mayville Community Schools. If you should desire additional detailed financial program audits, they can be obtained by contacting the following person:

Robert Smith, Superintendent
Mayville Community Schools
6250 Fulton Street, Mayville, MI 48744-9103
Telephone – 989.843.6115, ext. 205 Fax – 989.843.6988
Email – smithb@mayville.k12.mi.us

MAYVILLE COMMUNITY SCHOOLS
STATEMENT OF NET ASSETS
June 30, 2006

	GOVERNMENTAL ACTIVITIES
ASSETS	
CURRENT ASSETS:	
Cash & equivalents	$ 11,359
Investments	8,878,405
Accounts receivable	46,447
Taxes receivable	1,092
Due from other governmental units	1,459,480
TOTAL CURRENT ASSETS	10,396,783
NONCURRENT ASSETS:	
Deferred bond issuance cost	225,653
Amortization of bond issuance cost	(15,044)
Construction in progress	7,868,712
Building Improvements	4,958,236
Land and improvements	86,194
Equipment and furniture	524,487
Buses and other vehicles	946,228
Less accumulated depreciation	(4,272,733)
TOTAL NONCURRENT ASSETS	10,321,733
TOTAL ASSETS	***$ 20,718,516***
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Accounts payable	$ 1,283,923
Note payable	1,300,000
Salaries and benefits payable	815,689
Accrued expenses	33,367
Payroll liabilities	2,890
Accrued interest payable	122,328
Compensated absences payable, current portion	149,279
Retirement incentives payable, current portion	39,081
Bonds payable, current portion	290,000
School bus loans payable, current portion	37,210
Computer lease payable, current portion	31,916
Notes payable, current portion	24,545
Durant bond payable, current portion	6,780
TOTAL CURRENT LIABILITIES	4,137,008
NONCURRENT LIABILITIES:	
Compensated absences payable, long term portion	237,753
Retirement incentives payable, long term portion	35,002
Bonds payable, long term portion	14,520,000
School bus loans payable long term portion	29,465
Notes payable, long term portion	25,834
Durant bond payable, long term portion	72,188
TOTAL NONCURRENT LIABILITIES	14,920,242
NET ASSETS:	
Invested in capital assets, net of related debt	(4,926,814)
Restricted for Capital Projects	6,204,078
Restricted for Debt Service	408,438
Unrestricted	(24,436)
TOTAL NET ASSETS	1,661,266
TOTAL LIABILITIES AND NET ASSETS	***$ 20,718,516***

The accompanying notes are an integral part of the financial statements.

MAYVILLE COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Governmental Activities: Net (Expense) Revenue and Changes in Net Assets
Governmental activities:				
Instruction	$ 5,411,897	$ 4,285	$ 282,628	$ (5,124,984)
Support services	2,708,794	1,836	121,126	(2,585,832)
Community services	579			(579)
Food services	401,704	148,322	208,674	(44,708)
Athletics	218,364	57,801		(160,563)
Capital projects	7,523			(7,523)
Capital outlay (noncapitalized)	8,383			(8,383)
Interest on long-term debt	710,573		2,918	(707,655)
Depreciation - unallocated	269,167			(269,167)
Total governmental activities	$ 9,736,984	$ 212,244	$ 615,346	(8,909,394)
General revenues:				
Property taxes, levied for general purposes				492,856
Property taxes, levied for debt service				844,016
State aid - unrestricted				7,606,850
Transfers from other districts				37,772
Interest and investment earnings				505,072
Other				63,954
Total general revenue				9,550,520
Change in net assets				641,126
Net assets, beginning of year				1,020,140
Net assets, end of year				$ 1,661,266

The accompanying notes are an integral part of the financial statements.

MAYVILLE COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	GENERAL FUND	CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
CURRENT ASSETS:				
Cash & equivalents	$ 3,940		$ 7,419	$ 11,359
Investments	956,787	$ 7,457,017	464,601	8,878,405
Accounts receivable	46,447		-	46,447
Due from other funds	28,052			28,052
Due from other governmental units	1,459,480			1,459,480
TOTAL ASSETS	$ 2,494,706	$ 7,457,017	$ 472,020	$ 10,423,743
LIABILITIES AND FUND BALANCE				
LIABILITIES:				
Accounts payable	$ 29,779	$ 1,246,721	$ 7,423	$ 1,283,923
Note payable	1,300,000			1,300,000
Due to other funds	-	6,218	21,834	28,052
Benefits payable	281,455			281,455
Salaries payable	534,234			534,234
Accrued expenses	33,367			33,367
Payroll liabilities	2,890		-	2,890
TOTAL LIABILITIES	2,181,725	1,252,939	29,257	3,463,921
FUND BALANCE:				
Reserved		6,204,078	408,438	6,612,516
Unreserved:				-
Designated for compensated absences				-
& early retirement incentives	461,115			461,115
Undesignated	(148,134)		34,325	(113,809)
TOTAL FUND BALANCE	312,981	6,204,078	442,763	6,959,822
TOTAL LIABILITIES & FUND BALANCE	$ 2,494,706	$ 7,457,017	$ 472,020	$ 10,423,743

The accompanying notes are an integral part of the financial statements.

MAYVILLE COMMUNITY SCHOOLS

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2006

Total Fund Balances - Governmental Funds	$ 6,959,822
Total net assets reported for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	
The cost of the capital assets is:	14,383,857
Accumulated depreciation is:	(4,272,733)
Long -term liabilities are not due and payable in the current period and are not reported in the funds:	
Accrued compensated absences	(387,032)
Accrued retirement incentives	(74,083)
Accrued interest	(122,328)
Bonds payable	(14,810,000)
Notes payable	(50,379)
Bus loans payable	(66,675)
Capital lease payable	(31,916)
Deferred bond issuance cost	225,653
Amortization of bond issuance cost	(15,044)
Durant bonds	(78,968)
Balance of taxes receivable at 06/30/06 less allowance for doubtful accounts, expected to be collected after September 1, 2006	1,092
Net Assets of Governmental Activities	$ 1,661,266

The accompanying notes are an integral part of the financial statements.

MAYVILLE COMMUNITY SCHOOLS

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	GENERAL FUND	CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:				
Local sources	$ 586,076	$ 471,461	$ 1,063,260	$ 2,120,797
State sources	7,576,456		33,312	7,609,768
Federal sources	403,754		208,674	612,428
TOTAL REVENUES	8,566,286	471,461	1,305,246	10,342,993
EXPENDITURES:				
Current				
Education				
Instruction	5,466,340			5,466,340
Supporting services	2,732,127			2,732,127
Community services	579			579
Food services			401,704	401,704
Athletic services			241,109	241,109
Capital outlay	18,883	7,311,816	-	7,330,699
Debt service			811,429	811,429
TOTAL EXPENDITURES	8,217,929	7,311,816	1,454,242	16,983,987
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	348,357	(6,840,355)	(148,996)	(6,640,994)
OTHER FINANCING SOURCES (USES):				
Loan payments - principal	(125,169)			(125,169)
Loan payments - interest & fees	(51,833)			(51,833)
Sale of property	2,051			2,051
Transfers from other districts	37,772			37,772
Transfer in	-		190,132	190,132
Transfer out	(190,132)	-	-	(190,132)
TOTAL OTHER FINANCING SOURCES (USES)	(327,311)	-	190,132	(137,179)
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	21,046	(6,840,355)	41,136	(6,778,173)
FUND BALANCE - BEGINNING OF YEAR	291,935	13,044,433	401,627	13,737,995
FUND BALANCE - END OF YEAR	$ 312,981	$ 6,204,078	$ 442,763	$ 6,959,822

The accompanying notes are an integral part of the financial statements.

MAYVILLE COMMUNITY SCHOOLS

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
June 30, 2006

Total net change in fund balances--governmental funds	$ (6,778,173)
Total change in net assets 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	(269,167)
Capital outlay	10,500
Construction in progress	7,311,815
Construction in progress - Track	22,745
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	80,715
Accrued interest payable, end of year	(122,328)
The issuance of long-term debt provides current finanacial 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 assets. Also govermental funds report the effect of issuance costs, 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 is the treatment of long-term debt and related items and are as follows:	
Payments on debt	196,473
Amortization of bond costs	(7,522)
Proceeds of long-term debt are other financing sources and principal payments are expenditures in the governmental funds, but not in the statement of activities	
Repayment of long term debt	125,169
Capital lease payments	31,249
Revenue is recorded on the accrual method in the statement of activities; in the governemental funds it is recorded on the modified accrual method and not considered available:	
Accrued revenue at the beginning of the year	(5,798)
Accrued revenue at the end of the year	1,092
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	395,287
Accrued compensated absences at the end of the year	(387,032)
Accrued early retirement incentives at the beginning of the year	110,184
Accrued early retirement incentives at the end of the year	(74,083)
Change in net assets of governmental activities	$ 641,126

The accompanying notes are an integral part of the financial statements.

MAYVILLE COMMUNITY SCHOOLS
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2006

	AGENCY FUNDS	DEGROW SCHOLARSHIP FUND	TOTAL
ASSETS			
CURRENT ASSETS			
Cash	$ 12,481	$ 4,000	$ 16,481
Investments	103,464		103,464
TOTAL ASSETS	***$ 115,945***	***$ 4,000***	**$ 119,945**
LIABILITIES AND NET ASSETS			
LIABILITIES:			
Due to student groups	$ 115,945		$ 115,945
NET ASSETS			
Reserved for scholarships		$ 4,000	4,000
TOTAL LIABILITIES AND NET ASSETS	***$ 115,945***	***$ 4,000***	**$ 119,945**

The accompanying notes are an integral part of the financial statements.

MAYVILLE COMMUNITY SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
June 30, 2006

	DEGROW SCHOLARSHIP FUND
ADDITIONS:	
Interest earnings	
DEDUCTIONS:	
Scholarships	$ 4,000
CHANGE IN NET ASSETS	(4,000)
NET ASSETS:	
Beginning of year	8,000
End of year	$ 4,000

The accompanying notes are an integral part of the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The basic financial statements of the Mayville Community Schools have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units, except as described in Note 1. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

REPORTING ENTITY:

The 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 No. 14 and 39.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, investment income and other revenue.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

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

GOVERNMENTAL FUNDS

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

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

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 and athletic activities in the special revenue funds.

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).

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

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION:

Accrual Method:

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Modified Accrual Method:
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. 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. All other revenue items are considered to be measurable and available only when cash is received by the District.

State Revenue:
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 year ended June 30, 2006 the foundation allowance was based on the pupil membership counts taken in February and September of 2005.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes that may be levied at a rate of up to 17.93 mills. The State revenue is recognized during the foundation period and is funded through payments from October, 2005 to August, 2006. Thus, the unpaid portion at June 30th is reported as due from other governmental units. The local revenue is recognized as outlined in Note 1 Accounting for Property Taxes.

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

ASSETS, LIABILITIES AND EQUITY:

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Short-term Interfund Receivables/Payables.

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

3. 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, 2006, the District levied the following amounts per $1,000 of assessed valuation:

FUND	MILLS
General Fund – Non Homestead	17.93
Debt Service Funds - Homestead and non-homestead	6.00

4. Prepaid items.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

5. Capital Assets.

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their fair market value on the date received.

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 fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	50 years
Furniture and other equipment	5 – 20 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

The District's capitalization policy is to capitalize individual amounts exceeding $3,000. Group purchases are evaluated on a case-by-case basis.

6. Compensated Absences.

Vacation days are earned by employees based upon number of years of employment. Non-teachers employees accumulate sick days at the rate of one (1) sick day for every twenty-two (22) days of compensation with a maximum of twelve (12) days per year. Maximum accumulation shall be nine (9) times the days possible to accumulate in one (1) year. Non-teacher employees exceeding their maximum accumulation of sick days will be paid thirty five percent (35%)of their unused sick days exceeding the maximum accumulation. Non-teacher employees (excluding administrators) leaving the District with five (5) years of service will be paid for accumulated sick days at fifty percent (50%) of the employee's current daily rate of pay for each unused day. Administrators leaving the District with five years of service will be paid for accumulated sick days at thirty-five percent (35%) of the employee's current rate of pay for each unused day.

Teachers earn ten (10) sick days per year. Maximum accumulation shall be one hundred (100) days. Teachers exceeding their maximum accumulation of sick days will be paid forty percent (40%) of their unused sick days. Teachers leaving the District with fifteen (15) years of service will be paid for accumulated sick days at forty percent (40%) of the teacher's current daily rate of pay for each unused day.

7. Unemployment Insurance.

The District reimburses the State of Michigan Bureau of Worker's & Unemployment Compensation (BW&UC) for the actual amount of unemployment benefits disbursed by the BW&UC on behalf of the District. Billings received for amounts paid by the BW&UC through June 30 are accrued if material.

8. 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 assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method over the term of the related debt.

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

9. Use of Estimates.

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

NOTE 2 - STEWARDSHIP, COMPLIANCE & ACCOUNTABILITY:

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general, special revenue and debt service funds. The District follows these procedures in establishing the budgetary data reflected in the financial statements:

The District does not maintain a formalized encumbrance accounting system.

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 in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - general, special revenue and debt service funds.

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. Any expenditures in violation of the budgeting act are disclosed as unfavorable variances on the combined statement of revenues, expenditures and changes in fund balances - budget and actual (GAAP Basis) - general, special revenue and debt service funds. See item #7 below.

4. The Superintendent is authorized to transfer 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. Formal budgetary integration is employed as a management control device during the year for the general fund, special revenue and debt service fund.

6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30.

7. Significant violations of the uniform budgeting act were noted in instruction expenses and fund transfers out. The actual expense in these categories exceeded budget by $107,078 and $72,841, respectively.

NOTE 3 - CASH AND EQUIVALENTS - CREDIT RISK:

Cash and cash equivalents are held separately in the name of the district by each of the district's funds.

As of June 30, 2006, the District had the following investments.

Investment Type	Fair value	Weighted Average Maturity (Years)	Standard & Poor's Rating	%
MILAF External Investment pool - MICMS	1,048,817	0.0027	AAAm	11.68%
MILAF External Investment pool - MIMAX	1,031,353	0.0027	AAAm	11.48%
U.S. Agency Discount Notes	4,007,152	0.0837	A-1+	44.61%
U.S. Agency Notes & Bonds	2,894,547	0.7984	AAA	32.23%
Total fair value	$ 8,981,869			100.0%
Portfolio weighted average maturity		0.2219		

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, 2006, 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).

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, 2006, $8,958,464 of the District's bank balance of $9,093,369 was exposed to credit risk because it was uninsured and uncollateralized. The District places its deposits with high quality financial institutions. Although such deposits exceed federally insured limits, they are, in the opinion of the District, subject to minimal risk.

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

NOTE 3 - CASH AND EQUIVALENTS - CREDIT RISK (CONTINUED):

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

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

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

Cash - District wide	$ 11,359
Fiduciary Funds	12,481
Degrow Scholarship Fund	4,000
Investments - Fiduciary Funds	103,464
Investments - District wide	8,878,405
	$ 9,009,709

NOTE 4 - LONG-TERM DEBT:

The District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Other long-term obligations include compensated absences, claims and judgments, termination benefits and certain risk liabilities.

Following is a summary of the various long-term debt of the school district:

Limited obligation (Durant) bond, due in annual installments of $6,000 to $30,000 through May 15, 2013 with interest of 4.76%.	$ 78,968
Energy notes are due in annual installments of $45,000 to $55,000 through May 1, 2019 with interest of 4.15% due semi-annually.	780,000
School Improvement notes due in annual installments of $20,000 to $30,000 through May 1, 2015, with interest at 2.35% to 4.55% due semi-annually.	275,000
2004 Bond issue, due in annual installments of $190,000 to $860,000 through May 1, 2034, with interest at 2.25% to 5.00% due semi-annually	13,755,000
Bus notes payable, due in installments of $5,500 to $37,500 through May 1, 2007, with interest at 1.90% to 5.47%.	66,675
Total bonded debt	14,955,643
Obligations under capital lease for computer through October 2007	31,916
Installment loan obligations through 2008	50,379
Accumulated compensated absences	387,032
Obligations under retirement incentives through 2008.	74,083
Total long-term debt	$15,499,053

NOTE 4 - LONG-TERM DEBT (CONTINUED):

DEBT SERVICE REQUIREMENTS:

The annual requirements to amortize long-term debt outstanding as of June 30, 2006 are as follows:

YEAR ENDED JUNE 30,	PRINCIPAL	INTEREST	TOTAL
2007	429,532	654,749	1,084,281
2008	433,461	655,710	1,089,171
2009	394,649	634,183	1,028,832
2010	403,690	621,985	1,025,675
2011	408,168	608,382	1,016,550
2012-2016	2,212,521	2,819,683	5,032,204
2017-2021	2,340,000	2,350,066	4,690,066
2022-2026	2,665,000	1,818,920	4,483,920
2027-2031	3,365,000	1,124,248	4,489,248
2032-2035	2,460,000	250,000	2,710,000
	15,112,021	11,537,926	26,649,947
Accumulated compensated absences	387,032	-	387,032
	$15,499,053	$11,537,926	$27,036,979

An amount of $408,438 is available in the debt service fund to service the general obligation debt.

CHANGES IN LONG-TERM DEBT:

Following is a summary of long-term debt transactions of the district for the year ended June 30, 2006:

	ACCUMULATED SICK & VACATION PAY	GENERAL OBLIGATION
Long-term debt - July 1, 2005	$395,287	$15,501,013
Net decrease in accumulated compensated absences	(8,255)	
Additions:		
Retirement incentives payable		13,250
Deductions:		
Retirement paid		(49,351)
Bus notes paid		(36,848)
School improvement notes paid		(20,000)
Computer lease payments		(31,249)
Installment loan paid		(23,321)
Durant bond paid		(6,473)
2004 bond issue paid		(190,000)
Energy notes paid		(45,000)
Total	$387,032	$15,112,021

Interest expense (all funds) for the year ended June 30, 2006 was $710,573.

NOTE 5 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN:

Plan Description – The District contributes to the statewide Michigan Public School Employees' Retirement System (MPSERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPSERS provides retirement survivor and disability benefits and post-retirement benefits for health, dental and vision for substantially all employees of the District. The MPSERS was established by Public Act 136 or 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPSERS issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan, 48909-7671 or by calling (800) 381-5111.

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

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

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2006 were 14.87% for July 1 through September 30, 2005 and 16.34% for October 1 through June 30, 2006.The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributes to MPSERS for the years ended June 30, 2006, 2005 and 2004 were $785,756, $733,909, and $684,639, respectively, and were equal to the required contribution for each year.

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

Other post-employment benefits – Also within the MPSERS system, retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The MPSERS has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premium is paid by the MPSERS with the balance deducted from the monthly pension.

NOTE 6 - OPERATING LEASES:

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

June 30, 2007	44,056
June 30, 2008	34,223
June 30, 2009	32,256
June 30, 2010	32,256
June 30, 2011	10,992

Lease and maintenance expense on the office equipment for the current year was $38,120.

NOTE 7 - RISK MANAGEMENT:

The District is exposed to risk of loss related to injuries to employees. The District participates in a pool of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The pool is considered a public entity risk pool. The District pays quarterly premiums to the pool for the insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool 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 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 8 – INTERFUND RECEIVABLES AND PAYABLES:

	INTERFUND RECEIVABLE	INTERFUND PAYABLE
General Fund	$28,052	$ -
Capital Projects	-	6,218
Food Service	-	21,399
Athletic Fund	-	435
Total	$28,052	$28,052

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 – TRANSFERS:

Transfers between funds for the year ended June 30, 2006 were as follows:

Fund	Transfers out	Transfers in
General Fund	$190,132	
Athletic Fund		$190,132
Total Transfers	$190,132	$190,132

The transfer to athletic fund from general fund was to subsidize operations.

NOTE 10 – CAPITAL ASSETS:

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

	BALANCE JULY 1, 2005	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2006
Assets not being depreciated – Land	$ 25,000			$ 25,000
Other capital assets:				
Building & improvements	4,933,236			4,933,236
Land improvements	86,194			86,194
Equipment and furniture	520,487	$4,000		524,487
Buses and other vehicles	1,001,532	6,500	$61,804	946,228
Subtotal	6,541,449	10,500	61,804	6,490,145
Accumulated depreciation:				
Building, Land & Building improvements	(2,947,472)	(134,868)		(3,082,340)
Land improvements	(69,101)	(2,066)		(71,167)
Equipment and furniture	(271,682)	(77,018)		(348,700)
Buses and other vehicles	(777,115)	(55,214)	(61,804)	(770,525)
Subtotal	(4,065,370)	(269,166)	(61,804)	(4,272,732)
Net other capital assets	2,476,079	(258,666)		2,217,413
Construction in progress	534,152	7,334,560		7,868,712
Total Net capital assets	$3,035,231	$7,075,894		$10,111,125

Construction in progress was not depreciated.
Depreciation for the fiscal year ended June 30, 2006 amounted to $269,167.

NOTE 11 – SUBSEQUENT EVENT:

On August 25, 2006, a state aid note from Mayville State Bank in the amount of $1,300,000 matured and was paid. The state aid note, which was recorded as a liability at June 30, 2006 on the balance sheet had an interest rate of 3.08%.

On August 24,2006, the District borrowed a state aid note in an amount of $1,300,000. The state aid note bears interest at a base rate of 4.15% and will mature on August 24, 2007.

NOTE 12 – COMMITMENTS:

The District has committed substantially all of the $7.46 million it has remaining in the capital projects fund for the completion of the $14.135 million bond proposal construction project.

REQUIRED SUPPLEMENTAL INFORMATION

MAYVILLE COMMUNITY SCHOOLS
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2006

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Local sources	$ 495,000	$ 576,000	$ 586,076	$ 10,076
State sources	7,705,425	7,528,287	7,576,456	48,169
Federal sources	382,046	393,464	403,754	10,290
TOTAL REVENUES	8,582,471	8,497,751	8,566,286	68,535
EXPENDITURES				
Instruction	5,471,205	5,359,262	5,466,340	(107,078)
Supporting services	2,552,418	2,813,861	2,732,127	81,734
Capital outlay	5,500	12,550	18,883	(6,333)
Community services	1,800	1,656	579	1,077
TOTAL EXPENDITURES	8,030,923	8,187,329	8,217,929	(25,344)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	551,548	310,422	348,357	43,191
OTHER FINANCING SOURCES (USES):				
Loan payments - principal	(115,750)	(130,000)	(125,169)	4,831
Loan payments - interest & fees	(65,000)	(50,327)	(51,833)	(1,506)
Sale of school property	575	5,000	2,051	(2,949)
Transfers to other districts	34,425	34,000	37,772	3,772
Fund transfers out	(158,185)	(117,291)	(190,132)	(72,841)
TOTAL OTHER FINANCING SOURCES (USES)	(303,935)	(258,618)	(327,311)	(68,693)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)	247,613	51,804	21,046	(25,502)
FUND BALANCE - BEGINNING OF YEAR	291,935	291,935	291,935	-
FUND BALANCE - END OF YEAR	$ 539,548	$ 343,739	$ 312,981	$ (25,502)

ADDITIONAL INFORMATION

MAYVILLE COMMUNITY SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
June 30, 2006

	GOVERNMENTAL FUND TYPES		TOTAL
	SPECIAL REVENUE	DEBT SERVICE	2006
ASSETS			
Cash and equivalents	$ 7,419		$ 7,419
Investments	56,163	$ 408,438	464,601
TOTAL ASSETS	***$ 63,582***	***$ 408,438***	***$ 472,020***
LIABILITIES AND FUND BALANCE			
Accounts payable	$ 7,423		$ 7,423
Due to other funds	21,834		21,834
TOTAL LIABILITIES	29,257	-	29,257
FUND BALANCE			
Fund balances:			
Reserved		408,438	408,438
Unreserved:			
Undesignated	34,325		34,325
Total unreserved	34,325	-	34,325
TOTAL FUND BALANCE	34,325	408,438	442,763
TOTAL LIABILITIES AND FUND BALANCE	***$ 63,582***	***$ 408,438***	***$ 472,020***

MAYVILLE COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN NONMAJOR FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2006

	GOVERNMENTAL FUND TYPES		TOTAL
	SPECIAL REVENUE	DEBT SERVICE	2006
REVENUES			
Local sources	$ 206,123	$ 857,137	$ 1,063,260
State sources	23,921	9,391	33,312
Federal sources	208,674		208,674
TOTAL REVENUES	438,718	866,528	1,305,246
EXPENDITURES			
Food services	401,704		401,704
Athletic services	241,109		241,109
Debt services		811,429	811,429
TOTAL EXPENDITURES	642,813	811,429	1,454,242
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(204,095)	55,099	(148,996)
OTHER FINANCING SOURCES (USES)			
Fund transfers in	190,132		190,132
TOTAL OTHER FINANCING SOURCES (USES)	190,132	-	190,132
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	(13,963)	55,099	41,136
FUND BALANCE AT BEGINNING OF YEAR	48,288	353,339	401,627
FUND BALANCE AT END OF YEAR	$ 34,325	$ 408,438	$ 442,763

MAYVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF REVENUES COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2006

	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
LOCAL SOURCES:			
Property taxes	$ 528,500	$ 497,562	$ (30,938)
Tuition and fees	7,000	6,121	(879)
Earnings on investments	10,000	20,490	10,490
Rental of school property	500	-	(500)
Other local revenues	30,000	61,903	31,903
Total Local Sources	576,000	586,076	10,076
STATE SOURCES:			
Foundation grant	7,098,009	7,030,085	(67,924)
Special education	132,889	234,719	101,830
At Risk	196,020	210,061	14,041
Vocational education	5,069	5,425	356
Other grants	96,300	82,792	(13,508)
Durant settlement	-	13,374	13,374
Total State Sources	7,528,287	7,576,456	48,169
FEDERAL SOURCES:			
ECIA Title I	297,340	297,340	-
ECIA Title II - Technology	5,547	5,547	-
ECIA Title II - Teacher	84,193	84,193	-
ECIA Title V	4,184	4,184	-
Other	2,200	12,490	10,290
Total Federal Sources	393,464	403,754	10,290
OTHER TRANSACTIONS:			
Transfers from other districts	34,000	37,772	3,772
Total Transfers	34,000	37,772	3,772
Sale of School property	5,000	2,051	(2,949)
TOTAL REVENUES	$ 8,536,751	$ 8,606,109	$ 69,358

MAYVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2006

	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
INSTRUCTION:			
BASIC PROGRAMS:			
Elementary			
Salaries	$ 1,357,606	$ 1,307,325	$ 50,281
Employee benefits	620,194	611,840	8,354
Purchased services	10,425	8,021	2,404
Supplies and materials	18,884	28,893	(10,009)
Miscellaneous	500	4,809	(4,309)
Total Elementary	2,007,609	1,960,888	46,721
Middle school			
Salaries	823,759	825,343	(1,584)
Employee benefits	403,366	402,165	1,201
Purchased services	16,600	13,146	3,454
Supplies and materials	8,560	6,348	2,212
Miscellaneous	500	1,171	(671)
Total Middle school	1,252,785	1,248,173	4,612
High school			
Salaries	829,018	849,070	(20,052)
Employee benefits	429,742	436,166	(6,424)
Purchased services	39,800	67,599	(27,799)
Supplies and materials	25,843	30,278	(4,435)
Miscellaneous	56	354	(298)
Total High school	1,324,459	1,383,467	(59,008)
Pre-School			
Salaries	47,054	46,277	777
Employee benefits	43,752	36,262	7,490
Purchased services	500	464	36
Supplies and materials	2,060	1,990	70
Miscellaneous	350	410	(60)
Total Pre-School	93,716	85,403	8,313

MAYVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2006

	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
ADDED NEEDS:			
Special education			
Salaries	$ 265,330	$ 307,419	$ (42,089)
Employee benefits	121,546	143,443	(21,897)
Supplies and materials	2,785	4,449	(1,664)
Total Special education	389,661	455,311	(65,650)
Compensatory education			
Salaries	143,060	143,864	(804)
Employee benefits	82,056	94,635	(12,579)
Purchased services	51,355	65,145	(13,790)
Supplies and materials	6,216	11,383	(5,167)
Miscellaneous	-	270	(270)
Total Compensatory education	282,687	315,297	(32,610)
Salaries	5,589	6,019	(430)
Employee benefits	2,756	3,111	(355)
Total Vocational education	8345	9,130	(785)
Drivers education			
Salaries	-	6,903	(6,903)
Employee benefits	-	1,602	(1,602)
Supplies and materials	-	166	(166)
Total Drivers education	-	8,671	(8,671)
TOTAL INSTRUCTION	5,359,262	5,466,340	(107,078)

MAYVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2006

	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
SUPPORTING SERVICES:			
Support services- pupil			
Salaries	$ 126,486	$ 128,702	$ (2,216)
Employee benefits	73,519	73,664	(145)
Purchased services	5,260	5,038	222
Supplies and materials	1,640	5,785	(4,145)
Total Supporting services	206,905	213,189	(6,284)
Health services			
Salaries	-	849	(849)
Employee benefits	4,568	4,655	(87)
Purchased services	1,000	15	985
Total Health services	5,568	5,519	49
Other pupil services			
Salaries	4,125	4,427	(302)
Total Other pupil services	4,125	4,427	(302)

MAYVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2006

	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
Support service- instructional staff			
Library			
Salaries	$ 145,535	$ 138,252	$ 7,283
Employee benefits	89,674	82,036	7,638
Purchased services	1,500	665	835
Supplies and materials	11,900	7,777	4,123
Miscellaneous	7,700	1,939	5,761
Total Support service- library	256,309	230,669	25,640
Support service- general adminstration			
Board of education			
Salaries	6,000	5,800	200
Employee benefits	1,464	444	1,020
Purchased services	28,700	27,983	717
Supplies and materials	2,059	1,143	916
Miscellaneous	4,000	5,031	(1,031)
Total General adminstration	42,223	40,401	1,822
Executive adminstration			
Salaries	114,022	114,022	-
Employee benefits	58,195	57,196	999
Purchased services	3,400	8,047	(4,647)
Supplies and materials	2,500	2,870	(370)
Miscellaneous	1,400	1,452	(52)
Total Executive adminstration	179,517	183,587	(4,070)

MAYVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2006

	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
Support service- school adminstration			
School adminstration			
Salaries	$ 275,204	$ 276,488	$ (1,284)
Employee benefits	154,501	160,374	(5,873)
Purchased services	27,800	20,844	6,956
Supplies and materials	9,500	16,155	(6,655)
Miscellaneous	3,400	3,380	20
Total School adminstration	470,405	477,241	(6,836)
Other school adminstration			
Salaries	54,058	54,419	(361)
Employee benefits	36,095	30,450	5,645
Purchased services	1,000	94	906
Supplies and materials	100	191	(91)
Miscellaneous	100	-	100
Total Other school adminstration	91,353	85,154	6,199
Support services- business			
Business adminstration			
Salaries	62,058	62,164	(106)
Employee benefits	40,489	43,118	(2,629)
Purchased services	17,200	22,895	(5,695)
Supplies and materials	12,600	724	11,876
Miscellaneous	1,100	4,209	(3,109)
Total Business adminstration	133,447	133,110	337

MAYVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2006

	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
Other business services			
Purchased services	$ 11,000	$ 8,785	$ 2,215
Miscellaneous	44,404	43,186	1,218
Total Other business services	55,404	51,971	3,433
Operations and maintenance			
Salaries	316,592	291,897	24,695
Employee benefits	195,039	182,997	12,042
Purchased services	83,642	70,310	13,332
Supplies and materials	226,753	228,056	(1,303)
Miscellaneous	500	1,265	(765)
Total Operations and maintenance	822,526	774,525	48,001
Pupil transportation			
Salaries	231,685	217,909	13,776
Employee benefits	120,480	118,485	1,995
Purchased services	29,805	24,969	4,836
Supplies and matierials	65,115	64,728	387
Miscellaneous	300	788	(488)
Total Pupil transportation	447,385	426,879	20,506

MAYVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2006

	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
Suppport service-other			
Salaries	$ 4,000	$ 5,357	$ (1,357)
Employee benefits	960	504	456
Purchased services	93,734	94,864	(1,130)
Supplies and materials	-	4,730	(4,730)
Total Support service-other	98,694	105,455	(6,761)
TOTAL SUPPORTING SERVICES	2,813,861	2,732,127	81,734
Capital outlay			
Instructional services			
High school	800	789	11
Pre-School	250	-	250
Special education	-	629	(629)
Compensatory education	-	525	(525)
Supporting services			
Operating building	5,000	10,421	(5,421)
Pupil transportation	6,500	6,519	(19)
TOTAL CAPITAL OUTLAY	12,550	18,883	(6,333)

MAYVILLE COMMUNITY SCHOOLS
GENERAL FUND
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2006

	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
COMMUNITY SERVICES:			
Community activities			
Miscellaneous	$ 1,656	$ 579	$ 1,077
Total Community activities	1,656	579	1,077
TOTAL COMMUNITY SERVICES	1,656	579	1,077
TOTAL EXPENDITURES	8,187,329	8,217,929	(30,600)
OUTGOING TRANSFERS AND OTHER:			
Transfers to other funds	117,291	190,132	(72,841)
Loan payments - principal	130,000	125,169	4,831
Loan payments - interest & fees	50,327	51,833	(1,506)
TOTAL OUTGOING TRANSFERS AND OTHER	297,618	367,134	(69,516)
TOTAL EXPENDITURES AND OTHER FINANCING SOURCES	$ 8,484,947	$ 8,585,063	$ (100,116)

MAYVILLE COMMUNITY SCHOOLS
ALL SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
June 30, 2006

	FOOD SERVICES	ATHLETIC ACTIVITIES	TOTAL
ASSETS			
Cash and equivalents	$ 7,439	$ (20)	$ 7,419
Investments	-	56,163	56,163
TOTAL ASSETS	***$ 7,439***	***$ 56,143***	***$ 63,582***
LIABILITIES & FUND EQUITY			
LIABILITIES:			
Accounts payable	$ 5,559	$ 1,864	$ 7,423
Due to general fund	21,399	435	21,834
TOTAL LIABILITIES	26,958	2,299	29,257
FUND BALANCE:			
Fund Balance	(19,519)	53,844	34,325
TOTAL FUND BALANCE	(19,519)	53,844	34,325
TOTAL LIABILITIES & FUND BALANCE	***$ 7,439***	***$ 56,143***	***$ 63,582***

MAYVILLE COMMUNITY SCHOOLS
ALL SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2006

	FOOD SERVICES	ATHLETIC ACTIVITIES	TOTAL
REVENUES:			
Local sources	$ 148,322	$ 57,801	$ 206,123
State sources	23,921		23,921
Federal sources	208,674		208,674
TOTAL REVENUES	380,917	57,801	438,718
EXPENDITURES:			
Salaries and wages	103,402		103,402
Employee benefits	70,187		70,187
Purchased services	68,980		68,980
Supplies and materials	148,260		148,260
Capital outlay	369		369
Athletic activities		241,109	241,109
Miscellaneous	10,506		10,506
TOTAL EXPENDITURES	401,704	241,109	642,813
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(20,787)	(183,308)	(204,095)
OTHER FINANCING SOURCES (USES):			
Fund transfers in	-	190,132	190,132
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)	(20,787)	6,824	(13,963)
FUND BALANCE AT BEGINNING OF YEAR	1,268	47,020	48,288
FUND BALANCE AT END OF YEAR	$ (19,519)	$ 53,844	$ 34,325

MAYVILLE COMMUNITY SCHOOLS
CAPITAL PROJECTS FUND
BALANCE SHEET
June 30, 2006

	2004 CAPITAL PROJECT
ASSETS	
Investments	$ 7,457,017
TOTAL ASSETS	***$ 7,457,017***
LIABILITIES & FUND BALANCE	
LIABILITIES:	
Accounts payable	$ 1,246,721
Due to other funds	6,218
TOTAL LIABILITIES	1,252,939
FUND BALANCE:	
Reserved	6,204,078
TOTAL LIABILITIES & FUND BALANCE	***$ 7,457,017***

MAYVILLE COMMUNITY SCHOOLS
CAPITAL PROJECTS FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2006

	2004 CAPITAL PROJECT
REVENUES:	
Local Sources:	
Interest	$ 471,461
TOTAL REVENUES	471,461
EXPENDITURES:	
Capital outlay	7,311,816
TOTAL EXPENDITURES	7,311,816
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(6,840,355)
OTHER FINANCING SOURCES (USES)	
Proceeds from issuance of bonds	
Bond premium	
Loss on investments	
EXCESS OF REVENUES OVER EXPENDITURES & OTHER SOURCES (USES)	(6,840,355)
FUND BALANCES:	
Beginning of Year	13,044,433
End of Year	$ 6,204,078

MAYVILLE COMMUNITY SCHOOLS
DEBT SERVICE FUND
BALANCE SHEET
June 30, 2006

ASSETS	
Investments	$ 408,438
TOTAL ASSETS	***$ 408,438***
LIABILITIES & FUND BALANCE	
LIABILITIES:	
FUND BALANCE:	
Fund balance	$ 408,438
TOTAL LIABILITIES & FUND BALANCE	***$ 408,438***

MAYVILLE COMMUNITY SCHOOLS
DEBT SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2006

	2004 DEBT	DURANT DEBT	TOTAL
REVENUES:			
Local Sources:			
Property taxes	$ 844,016		$ 844,016
Interest	13,121		13,121
Total Local Sources	857,137		857,137
State Sources		$ 9,391	9,391
TOTAL REVENUES	857,137	9,391	866,528
EXPENDITURES:			
Debt Service:			
Principal repayment	190,000	6,473	196,473
Interest and other fiscal charges	612,038	2,918	614,956
TOTAL EXPENDITURES	802,038	9,391	811,429
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	55,099	-	55,099
FUND BALANCES:			
Beginning of Year	353,339	-	353,339
End of Year	$ 408,438	-	$ 408,438

MAYVILLE COMMUNITY SCHOOLS
AGENCY FUND
SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2006

	BALANCE AT 6/30/2005	RECEIPTS	DISBURSEMENTS	BALANCE AT 6/30/2006
Student activities				
Boys basketball	$ 2,334	$ 12,780	$ 12,736	$ 2,378
Baseball	19	2,301	2,338	(18)
Class of 2004	1,465	-	1,465	-
Class of 2005	372	1,465	1,917	(80)
Class of 2006	2,899	1,052	3,678	273
Class of 2007	2,777	9,529	7,182	5,124
Class of 2008	1,088	1,498	1,642	944
Class of 2009	-	478	74	404
Class of 2014	148	21,168	20,975	341
Field Trip - 2015	795	2,509	1,540	1,764
Class of 2018	-	2,313	936	1,377
AAU	629	4,274	2,627	2,276
ADV Science	2	3,232	2,903	331
Art	119	275	105	289
Assembly	9,782	5,290	4,434	10,638
Band	2,389	18,539	19,579	1,349
Cheerleading	463	142	536	69
Cheerleading Jr. High	44	-	-	44
Community for kids	74	-	-	74
DC 2010	1,767	9,821	11,338	250
DC 2011	1,210	500	420	1,290
DC 2012	-	1,075	900	175
Drama	4,734	1,819	3,997	2,556
HS Drama	-	339	286	53
Drivers Education	343	949	-	1,292
Ecology	3,189	1,303	2,410	2,082
Elementary library	1,775	7,319	8,055	1,039
Elementary pop	304	847	872	279
Elementary Revolving	5,869	4,024	2,496	7,397
Equestrian Team	344	-	192	152
Exchange	1,521	575	612	1,484
Future Homemakers of America	79	-	-	79
Football	4,550	10,733	8,897	6,386
Foote path	355	-	-	355
Fun Fair	3,981	17,817	18,628	3,170
Girls basketball	511	5,053	3,303	2,261
HS newspaper	131	-	-	131
Golf	3	261	148	116
Interest	1,996	4,174	-	6,170
JRFH	220	1,852	1,852	220
JWFB	580	-	-	580
Library	98	3,034	2,742	390
Lock deposit	690	-	-	690
Mayville mornings	569	-	-	569

MAYVILLE COMMUNITY SCHOOLS
AGENCY FUND
SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CHANGES IN LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2006

	BALANCE AT 6/30/2005	RECEIPTS	DISBURSEMENTS	BALANCE AT 6/30/2006
MSA 2008	$ 13	$ -	$ -	$ 13
MAS 2009	421	-	421	-
MAS 2010	2,426	2,945	5,371	-
MAS 2011	1,769	5,927	9,943	(2,247)
MAS 2012	-	2,063	2,294	(231)
MAS 2013	-	1,650	1,436	214
MPC	172	4,849	4,821	200
Middle school gazette	24	-	-	24
Middle school library	76	251	166	161
Middle school pop	78	507	257	328
Middle school revolving	10,423	1,815	1,000	11,238
Middle school robotics	300	50	251	99
Middle school student council	608	4,701	4,351	958
Middle school yearbook	1,177	3,551	3,151	1,577
Milk	796	(398)	452	(54)
NAHS	292	10	10	292
NHS	337	957	587	707
NOT	1,141	-	794	347
POMMS	418	-	273	145
Path finders	85	1,433	693	825
Playground	1,226	14,093	13,318	2,001
Pride society	114	-	-	114
Projects	1,000	-	-	1,000
Pop fund	1,385	10,457	9,908	1,934
Students against drunk drivers	220	1,060	1,084	196
Science supply	23	-	-	23
Secretary	159	115	181	93
Ski club	253	4,861	4,412	702
Softball	1,456	(8)	515	933
Sophomore literature	34	-	-	34
Spanish club	876	3,331	3,835	372
Steno clerical	107	-	-	107
Sutdent council	2,639	1,903	2,643	1,899
Sunday basketball	737	(189)	195	353
Textbook	1,187	-	-	1,187
Track	1,982	4,858	5,124	1,716
Trophy case	658	265	-	923
Use of facilities	-	658	-	658
Varsity volleyball	2,434	5,775	4,228	3,981
Wildcat AC	7,369	5,877	8,240	5,006
Mayville sports boosters	-	7,080	-	7,080
Wrestling	100	80	80	100
Weight lifting equipment	131	-	-	131
Yearbook	3,643	14,528	14,108	4,063
TOTAL ACTIVITY FUNDS	$ 108,507	$ 263,395	$ 255,957	$ 115,945

MAYVILLE COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT - SCHOOL BUILDING & SITE
June 30, 2006

In September 2004, the District sold the 2004 School Building and Site Bonds in the amount of $14,135,000 for the purpose of erecting, furnishing and equipping additions to, and partially remodeling, furnishing, and refurnishing, equipping and re-equipping school facilities; acquiring, installing and equipping a new maintenance building; and developing and improving sites.

PRINCIPAL DUE MAY 1	RATE	INTEREST DUE MAY 1	INTEREST DUE NOVEMBER 1	DEBT SERVICE REQUIREMENT FOR FISCAL YEAR JUNE 30	DEBT SERVICE REQUIREMENT FOR FISCAL YEAR AMOUNT
$ 220,000	2.50	$ 303,769	$ 303,769	2007	$ 827,538
265,000	2.75	301,019	301,019	2008	867,038
290,000	3.00	297,376	297,376	2009	884,752
305,000	3.25	293,026	293,026	2010	891,052
315,000	3.50	288,069	288,069	2011	891,138
325,000	3.25	282,557	282,557	2012	890,114
335,000	3.38	277,276	277,276	2013	889,552
345,000	3.50	271,623	271,623	2014	888,246
360,000	4.00	265,585	265,585	2015	891,170
375,000	4.00	258,385	258,385	2016	891,770
390,000	4.05	250,885	250,885	2017	891,770
405,000	4.20	242,988	242,988	2018	890,976
425,000	4.25	234,483	234,483	2019	893,966
445,000	4.40	225,449	225,449	2020	895,898
465,000	4.50	215,661	215,661	2021	896,322
485,000	4.50	205,199	205,199	2022	895,398
510,000	4.60	194,286	194,286	2023	898,572
530,000	4.62	182,556	182,556	2024	895,112
555,000	4.75	170,300	170,300	2025	895,600
585,000	4.75	157,119	157,119	2026	899,238
610,000	4.75	143,225	143,225	2027	896,450
640,000	4.75	128,738	128,738	2028	897,476
670,000	4.75	113,538	113,538	2029	897,076
705,000	5.00	97,625	97,625	2030	900,250
740,000	5.00	80,000	80,000	2031	900,000
780,000	5.00	61,500	61,500	2032	903,000
820,000	5.00	42,000	42,000	2033	904,000
860,000	5.00	21,500	21,500	2034	903,000
$ 13,755,000		$ 5,605,737	$ 5,605,737		$ 24,966,474

MAYVILLE COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT - SCHOOL IMPROVEMENT
June 30, 2006

In December 2003, the District sold School Improvement Bond in the amount of $315,000 for the purpose of upgrading facilities and instituting energy saving measures.

PRINCIPAL DUE MAY 1	RATE	INTEREST DUE MAY 1	INTEREST DUE NOVEMBER 1	DEBT SERVICE REQUIREMENT FOR FISCAL YEAR JUNE 30	DEBT SERVICE REQUIREMENT FOR FISCAL YEAR AMOUNT
$ 20,000	2.70	$ 5,085	$ 5,085	2007	$ 30,170
25,000	3.00	4,815	4,815	2008	34,630
25,000	3.05	4,440	4,440	2009	33,880
30,000	3.20	4,059	4,059	2010	38,118
30,000	3.50	3,579	3,579	2011	37,158
35,000	3.75	3,053	3,053	2012	41,106
35,000	4.15	2,398	2,398	2013	39,796
35,000	4.35	1,671	1,671	2014	38,342
40,000	4.55	910	910	2015	41,820
$ 275,000		$ 30,010	$ 30,010		$ 335,020

MAYVILLE COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT - ENERGY
June 30, 2006

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 1	RATE	INTEREST DUE MAY 1	INTEREST DUE NOVEMBER 1	DEBT SERVICE REQUIREMENT FOR FISCAL YEAR JUNE 30	DEBT SERVICE REQUIREMENT FOR FISCAL YEAR AMOUNT
$ 50,000	4.15	$ 16,185	$ 16,185	2007	$ 82,370
50,000	4.15	15,148	15,148	2008	80,296
50,000	4.15	14,110	14,110	2009	78,220
55,000	4.15	13,073	13,072	2010	81,145
55,000	4.15	11,931	11,931	2011	78,862
60,000	4.15	10,790	10,790	2012	81,580
60,000	4.15	9,545	9,545	2013	79,090
60,000	4.15	8,300	8,300	2014	76,600
65,000	4.15	7,055	7,055	2015	79,110
65,000	4.15	5,706	5,706	2016	76,412
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
$ 780,000		$ 120,766	$ 120,765		$ 1,021,531

MAYVILLE COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT - 1998 ISSUE
June 30, 2006

$85,441 Durant Bond issued 1998:

PRINCIPAL DUE MAY 15	INTEREST DUE MAY 15	DEBT SERVICE REQUIREMENT FOR FISCAL YEAR JUNE 30	AMOUNT
$ 6,780	$ 2,610	2007	$ 9,390
31,259	13,059	2008	44,318
7,443	1,949	2009	9,392
7,797	1,594	2010	9,391
8,168	1,223	2011	9,391
8,557	834	2012	9,391
8,964	427	2013	9,391
$ 78,968	$ 21,696		$ 100,664

The above bond issue bears interest at 4.76%. The bond proceeds were used for erecting, furnishing and equipping additions to the existing school buildings and developing and improving the site.

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is a self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorizes the payment of the State Aid Payments directly to the Authority's Depository.

MAYVILLE COMMUNITY SCHOOLS

ADDITIONAL REPORTS REQUIRED
BY OMB CIRCULAR A-133

YEAR ENDED JUNE 30, 2006

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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*

August 4, 2006

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

We have audited 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, 2006, and have issued our report thereon dated August 4, 2006. 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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Mayville Community Schools' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether Mayville Community Schools' financial statements are free of 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*.

We noted certain immaterial instances of noncompliance or other matters that we have reported to management of Mayville Community Schools in a separate letter dated August 4, 2006.

This report is intended for the information of the board of education, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

August 4, 2006

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

COMPLIANCE

We have audited the compliance of Mayville Community Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2006. Mayville Community Schools' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal program is the responsibility of Mayville Community Schools' management. Our responsibility is to express an opinion on Mayville Community Schools' compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination of Mayville Community Schools' compliance with those requirements.

In our opinion, Mayville Community Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended June 30, 2006.

INTERNAL CONTROL OVER COMPLIANCE

The management of Mayville Community Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Mayville Community Schools' 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 OMB Circular A-133.

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Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We have audited 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, 2006, and have issued our report thereon dated August 4, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Mayville Community Schools basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information and use of the board of education, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

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

MAYVILLE COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE GRANTOR NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE 6/30/2005	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 6/30/2006
U.S. DEPARTMENT OF AGRICULTURE:							
Passed through Michigan Dept. of Education:							
Food Distribution							
Entitlement	10.550	$ 17,816	$ -	$ -	$ 17,816	$ 17,816	-
Bonus	10.565	1,330	-	-	1,330	1,330	-
		19,146	-	-	19,146	19,146	-
Nutrition Cluster							
National School Breakfast	10.553	40,735	-	-	40,735	40,735	-
National School Lunch	10.555	148,793	-	-	148,793	148,793	-
Total Nutrition Cluster		189,528	-	-	189,528	189,528	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE		208,674	-	-	208,674	208,674	-
U.S. DEPARTMENT OF EDUCATION:							
Passed through Michigan Dept. of Education:							
0615300506 Title I Part A	84.010	297,340	-	-	220,000	297,340	77,340
0602500506 - Title V LEA Allocation	84.298	4,184	-	-	4,184	4,184	-

(Continued)

MAYVILLE COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE GRANTOR NUMBER	FEDERAL CFDA NUMBER	APPROVED GRANT AWARD AMOUNT	ACCRUED (DEFERRED) REVENUE 6/30/2005	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS	CURRENT YEAR EXPENDITURES	ACCRUED (DEFERRED) REVENUE 6/30/2006
U.S. DEPARTMENT OF EDUCATION: (Continued)							
Passed through Michigan Dept. of Education:							
0642900506 ED Tech	84.318	5,547	-	-	5,547	$ 5,547	-
0605200506 Title IIA	84.367	84,193	-	-	68,700	84,193	15,493
Handicapped preschool	84.027	556	-	-	556	556	-
Passed through Tuscola Intermediate School District							
5014-11 Tech Prep (Huron ISD)	84.243A	2,077	-	-	2,077	2,077	-
TOTAL U.S. DEPARTMENT OF EDUCATION		393,897	-	-	301,064	393,897	92,833
TRANSFERS FROM OTHER GOVERNEMENTAL UNITS							
Michigan State Police							
Homeland Security	97.004	4,002	-	-	3,857	3,857	-
Tuscola County							
Homeland Security	97.004	6,000	-	-	6,000	6,000	-
TOTAL TRANSFERS FROM OTHER GOVERNMENTAL UNITS		10,002	-	-	9,857	9,857	-
TOTAL FEDERAL FINANCIAL ASSISTANCE		$ 612,573	$ -	$ -	$ 519,595	$ 612,428	$ 92,833

MAYVILLE COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Mayville Community Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Title I, CFDA #84.010, and the Nutrition Cluster, CFDA #10.553 & 10.555, were audited as major programs and represent 79.5% of expenditures.
2. The threshold for distinguishing Type A and B programs was $300,000.
3. Expenditures on this schedule reconcile with amounts reported in the financial statements and financial reports submitted to the Michigan Department of Education.
4. Management has utilized the R7120, Grant Section Auditors' Report, in preparing the schedule of expenditures of federal awards.
5. The amounts reported on the Receipt Entitlement Balance Report agree with this schedule for USDA donated food commodities.

NOTE 3 – RECONCILIATION OF FEDERAL REVENUE

The current year expenditures on the Schedule of Expenditures of Federal Awards agrees to the federal revenue reported in the financial statements, as follows:

Federal revenue per financial statements	$612,428
Federal expenditures per Schedule of Federal Awards	$612,428

MAYVILLE COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *Unqualified*

Internal control over financial reporting:

- Material weakness(es) identified: _____Yes ___X_No
- Reportable condition(s) identified that are not considered to be material weaknesses? _____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
- Reportable condition(s) identified that are not considered to be material weaknesses? _____Yes ___X__None reported

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

Any audit findings disclosed that are required to be reported with Section 510(a) of Circular A-133? _____Yes ___X__No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I
10.553 & 10.555	Nutrition Cluster

Dollar threshold used to distinguish between type A and Type B Programs: $300,000

Auditee qualified as low-risk auditee? _____Yes ___X___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
FOR THE YEAR ENDED JUNE 30, 2006

There were no prior year audit findings for the year ended June 30, 2005.

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August 4, 2006

To the Board of Education
Mayville Community School District
Mayville, Michigan

In planning and performing our audit of the financial statements of Mayville Community School District for the year ended June 30, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The comments and suggestions regarding those matters follow. This letter does not affect our report dated August 4, 2006, on the financial statements of Mayville Community School District.

Segregation of Duties

Due to the limited number of people working in the business office, many critical duties are combined and given to the available employees. Presently, a single individual prepares and signs checks, reconciles bank accounts, and maintains the general ledger. To the extent possible, duties should be segregated to serve as a check and balance and to maintain the best control system possible. We recommend the district segregate bank account reconciliation duties from cash receipts and/or cash disbursement duties. We also recommend that the elementary principal be designated as the Title I coordinator and keep a copy of all compliance and reporting documents. This should include the grant budget and cost reports.

New Rules For §403(B) Plans

Final regulations have still not been finalized.

Bonds

For all bonds issued after May 1, 1994, a separate interim audit must be completed for each individual series of a bond authorization prior to the issuance of the next series. This interim audit must be completed within 120 days after completion of all projects and filed immediately with the Department of Treasury. This requirement is pursuant to Section 1351a(2) of Act 451 of the Public Acts of 1976. The management of the District should contact us with the completion of all capital projects meeting this requirement so we can perform our audit procedures in a timely manner.

Filings will be made with the Michigan Department of Treasury.

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Budget Enforcement by the Michigan Department of Education

The Michigan Department of Education is changing their enforcement and monitoring of budget violations. They are currently focusing on total expenditures violations that exceed 1% of the total expenditures budget and total other financing uses that exceed 1% of the total other financing uses budget. The Department of Education will be issuing letter to school board presidents, the superintendent and the chief business official when they identify these types of violations.

Currently identified violations of the Act include, but are not limited to:

- Incurring expenditures in excess of the appropriation approved by the school board (Overspending your budget by line item).
- Ending the fiscal year with a deficit (negative fund balance).
- Adopting a budget that, when implemented, would put the district in a deficit.

The Department is currently reviewing their interpretation of Section 17(2). This would be a situation where a district's actual revenues were less than budgeted revenues and, at the same time, depleted the district fund balance, beyond what was approved in total by the school board.

We recommend you continue to review your current budget amendments during the year. The Hot Lunch Fund ended the year with a small deficit fund balance. The 2006-07 budget should accommodate the elimination of this deficit. In addition, there could be situations where there continue to be budget violations as disclosed in footnote 2 subsection 3 & 7 of the financial statements.

We further recommend that a copy of the adopted original budget and subsequent budget amendments be kept with the board minutes. These budgets also need to be posted on the school district's website. Care needs to be taken to assure that board adopted budgets are recorded in the general ledger system and monitored by the district on a regular basis. These budgets also need to match the federal project budget.

Internal Control Procedures

The receipts and disbursements of student activity funds are not under the same scrutiny as the general fund. This fund holds approximately $119,000 cash in the bank and has approximately $280,000 in receipts and disbursements per year. We recommend that the Board periodically review the internal control procedures of this fund, including cash receipts and expense approval procedures.

Cash Management – Federal Awards

The Michigan Department of Education has recently been notified that it, along with all other states, has misinterpreted the advance provision of the Cash Management Improvement Act (CMIA). The United States Department of Education started monitoring and auditing CMIA compliance and is notifying sub-recipients that advances are limited to three days cash needs. In other words, funds must be spent by the district within 72 hours of being drawn down from the USDE GAPS system. Because of this new awareness, the department will no longer allow 30-day cash advances for ongoing programs during fiscal year 2006/2007. Thirty-day cash advances may be permitted for new one-time federal grant programs at the discretion of program management.

We recommend the District request funds on a reimbursement basis in order to ensure compliance with the revised cash management interpretation.

New Auditing Standards

Recently, 10 new auditing standards have been released and will become effective over the District's next two fiscal years. In reviewing the new standards, we do not believe, for the most part, they will have a significant impact on our overall audit approach. However, two of the new standards may directly impact the District beginning with the June 30, 2007 year-end.

One of the new standards revises the dating of the auditors' report. Under the old standards, the auditors' report was dated the last day of fieldwork. The new standards define the date as the date adequate audit evidence is obtained. Adequate audit evidence is now being interpreted as including the client's approval of draft financial statements. Although the dating of the report may seem trivial to non-auditors, it does have an impact on auditors' subsequent events work (June 30 through date of auditors' report). The impact to the District could be if there was a long period of time needed to resolve certain open issues. This would extend the dating of the auditors' report and increase the amount of work we need to complete our subsequent events work.

Another standard effective for the June 30, 2007 year-end is related to our communications with the client. The new standard retained the definition of a "material weakness" and added two new categories of deficiencies, "significant deficiency" and "control deficiency". Certain situations were included as examples of strong indicators of significant deficiencies and possibly material weaknesses. One of the situations is the client is unable to write financial statements, including the footnotes, in accordance with generally accepted accounting principles. Historically, we have prepared the financial statements and footnotes for the District. We will have to evaluate the District's ability to produce appropriate financial statements and footnotes and, accordingly, if any control deficiencies exist.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various schools district personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the Mayville Community School District, management and others within the administration and is not intended to be and should not be used by anyone other than these specified parties

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

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

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