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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Camden-Frontier School
Camden, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Camden-Frontier School, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Camden-Frontier School, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension information on pages 4 through 7 and pages 37 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Camden-Frontier School's basic financial statements. The nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and is also not a required part of the basic financial statements.

The nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2015, on our consideration of Camden-Frontier School's 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Camden-Frontier School's internal control over financial reporting and compliance.

Bailey, Hodshire & Company, P.C.

Jonesville, Michigan
October 19, 2015

Our discussion and analysis of Camden-Frontier School's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2015. The management's discussion and analysis is provided at the beginning of the audit to provide, in layman's terms, the past and current position of the school district's financial condition. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplemental information that presents all the School District's revenues and expenditures by program for the General Fund, Food Service Fund, Sinking Fund, and Debt Retirement Funds.

Using This Annual Report

The School District's annual report consists of a series of financial statements that show information for the School District as a whole, its funds, and its fiduciary responsibilities. The Statement of Net Position and the Statement of Activities (pages 8 and 9) provide information about the activities of the School District as a whole and present a longer-term view of the School District's finances. Our fund financial statements start on page 10. Our governmental activities statements tell how we financed our services in the short term, as well as what remains for future spending. Fund financial statements report the School District's operations in more detail than the government-wide financial statements by providing information about the School District's most significant funds. The remaining statement provides information about activities for which the School District acts solely as an agent for the benefit of student groups.

Reporting the School District as a Whole

One of the most important questions asked about the School District is "Is the School District as a whole better off or worse off financially as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepared these statements to include *all* assets and liabilities, using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenue and expenses regardless of when cash is received or paid.

These two statements report the School District's *net position* - - the difference between assets and liabilities, as reported in the Statement of Net Position - - as one way to measure the School District's financial health, or *financial position*. Over time, *increases or decreases* in the School District's net position - - as reported in the Statement of Activities - - are 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 our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the school to assess the *overall health* of the School District.

Reporting the School District's Most Significant Funds

The School District's fund financial statements, which begin on page 10, provide detailed information about the School District's most significant funds - - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes other funds to help it control and manage money for particular purposes (like the Food Service Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like the Sinking Fund).

Governmental fund reporting focuses on showing how money flows into and out of the funds and the balances left at year-end that are available for spending in future periods. They are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliations on pages 11 and 14.

The School District as Trustee

The School District is the trustee, or agent, for its student activity funds. All of the School District's agent activities are reported in a separate Statement of Assets and Liabilities - Agency Fund on page 15. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The School District as a Whole

The School District's net position was \$(1,660,968) at June 30, 2015, an increase of 10.9% from the prior year. Of this amount, there is an unrestricted deficit balance of \$(6,792,677). Restricted net position is reported separately to show legal constraints that limit the School District's ability to use those assets for day-to-day operations. Our analysis below focuses on the net position (Table 1) and change in net position (Table 2) of the School District's governmental activities.

TABLE 1 - NET POSITION

	<u>2014</u>	<u>2015</u>
ASSETS		
Current Assets	\$ 1,548,254	\$ 1,674,354
Capital Assets	4,324,085	4,483,762
Total Assets	<u>\$ 5,872,339</u>	<u>\$ 6,158,116</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension	\$ 478,298	\$ 702,382
LIABILITIES		
Current Liabilities	\$ 943,334	\$ 891,803
Long-term Liabilities:		
Due within one year	121,547	112,261
Due in more than one year:		
Net pension liability	6,973,308	6,553,997
Other amounts	178,266	238,858
Total Liabilities	<u>\$ 8,216,455</u>	<u>\$ 7,796,919</u>
DEFERRED INFLOWS OF RESOURCES		
Pension	\$ 0	\$ 724,547
NET POSITION		
Invested in Capital Assets - Net of Related Debt	\$ 4,181,212	\$ 4,266,765
Restricted	661,490	864,944
Unrestricted	<u>(6,708,520)</u>	<u>(6,792,677)</u>
Total Net Position	<u>\$(1,865,818)</u>	<u>\$(1,660,968)</u>

The \$(1,660,968) deficit in unrestricted net position represents the accumulated results of all past years' operations. This deficit results from liabilities and deferred inflows of resources in excess of assets and deferred outflows of resources as of June 30, 2015.

TABLE 2 - CHANGES IN NET POSITION

	<u>2014</u>	<u>2015</u>
Program Revenue		
Charges for Services	\$ 83,928	\$ 85,573
Operating Grants and Contributions	613,464	564,149
Capital Grants and Contributions	0	0
General Revenue		
Property Taxes	1,082,838	1,212,770
State Aid	3,534,515	3,495,488
Other	<u>30,811</u>	<u>29,193</u>
Total Revenue	<u>\$ 5,345,556</u>	<u>\$ 5,387,173</u>
Expenses		
Instruction	\$ 3,299,685	\$ 3,108,718
Support Services	1,544,520	1,568,875
Food Services	269,984	308,909
Depreciation - Unallocated	171,717	188,635
Interest on Long-Term Obligations	<u>5,028</u>	<u>7,186</u>
Total Expenses	<u>\$ 5,290,934</u>	<u>\$ 5,182,323</u>
INCREASE (DECREASE) IN NET POSITION	<u>\$ 54,622</u>	<u>\$ 204,850</u>

As shown above, the cost of all of our governmental activities this year was \$5,182,323. However, the amount that our taxpayers ultimately financed for these activities through School property taxes was only \$1,212,770 because the remainder of the cost was paid by charges for services, grants, and State Aid revenue.

Major Governmental Funds Budgeting and Operating Highlights

The School District's budgets are prepared according to Michigan law. The most significant budgeted fund is the General Fund. During the fiscal year ended June 30, 2015, the School District amended the General Fund budget twice.

General Fund

For the General Fund, actual revenue was \$4,535,327, which is above the original budget estimate of \$4,143,758, and below the final amended budget of \$4,542,026.

The actual expenditures of the General Fund were \$4,550,089, which is above the original budget estimate of \$3,984,652, and below the final amended budget of \$4,554,534.

The General Fund ended the year with a deficit balance of \$80,040. A deficit elimination plan has been filed with the Michigan Department of Education.

June 30, 2015

Capital Asset and Debt Administration

At the end of fiscal year 2015, the School District had \$7,264,286 invested in land and buildings, furniture and equipment, vehicles, and buses. We have estimated that these assets have depreciated by \$2,780,524 through June 30, 2015; therefore, we currently have net book value of \$4,483,762. Total additions for the year totaled \$393,561, which consisted of 80 computers, 2 buses, FFA agriculture barn, and cafeteria equipment. Capital assets at year-end were as follows:

	<u>2014</u>	<u>2015</u>
Land	\$ 160,000	\$ 160,000
Buildings and Improvements	5,419,248	5,557,549
Furniture and Equipment	716,883	812,583
Vehicles	627,471	734,154
Less: Accumulated Depreciation	<u>(2,599,517)</u>	<u>(2,780,524)</u>
Total Capital Assets, net of depreciation	<u>\$ 4,324,085</u>	<u>\$ 4,483,762</u>

At June 30, 2015, the School District had \$6,905,116 in total debt outstanding, as shown below:

	<u>2014</u>	<u>2015</u>
General Obligation Bonds		
2002 Building and Site Bonds	\$ 45,000	\$ 30,000
2014 School Bus Bonds	0	95,000
Installment Purchase Agreements:		
School Buses	91,992	38,789
Computer Lease Purchase	4,555	50,855
Net Pension Liability	6,973,308	6,553,997
Retirement Buyouts	15,000	5,000
Compensated Absences	<u>143,266</u>	<u>131,475</u>
Total Long-Term Debt	<u>\$ 7,273,121</u>	<u>\$ 6,905,116</u>

Factors Bearing on the District's Future

Enrollment and State Aid will continue to be critical for the future of the District. The District will be monitoring and amending the budget quarterly to help ensure a positive fund balance by the end of the fiscal year. The District will remain on a spending freeze.

Contacting the School District's Financial Management

This report is designed to give an overview of the financial conditions of the Camden-Frontier School. If you have any questions about this report or need further information, please contact the Superintendent at 4971 Montgomery Road, Camden, MI 49232, telephone (517) 368-5991.

CAMDEN-FRONTIER SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2015

ASSETS	
Cash	\$ 966,876
Due from Other Governmental Units	704,882
Inventory	2,596
Capital Assets, Net of Accumulated Depreciation	<u>4,483,762</u>
Total Assets	<u>\$ 6,158,116</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Pension	<u>\$ 702,382</u>
 LIABILITIES	
Accounts Payable	\$ 179,575
Salaries & Benefits Payable	303,901
Interest Payable	6,130
Notes Payable	400,000
Unearned Revenue	2,197
Long-Term Liabilities:	
Due Within One Year	112,261
Due in More than One Year:	
Net Pension Liability	6,553,997
Other amounts Due in More than One Year	<u>238,858</u>
Total Liabilities	<u>\$ 7,796,919</u>
 DEFERRED INFLOWS OF RESOURCES	
Pension	<u>\$ 724,547</u>
 NET POSITION	
Invested in Capital Assets, Net of Related Debt	\$ 4,266,765
Restricted for:	
Food Service	70,564
Capital Projects	748,210
Debt Service	46,170
Unrestricted	<u>(6,792,677)</u>
Total Net Position	<u>\$(1,660,968)</u>

See accompanying notes to the basic financial statements.

CAMDEN-FRONTIER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Instruction					
Basic Programs					
Elementary School	\$ 1,723,201	\$ 0	\$ 63,411	\$ 0	\$(1,659,790)
High School	719,875	0	2,903	0	(716,972)
Saturday School	467	0	0	0	(467)
Added Needs					
Special Education	242,191	0	0	0	(242,191)
Compensatory Education	331,345	0	258,882	0	(72,463)
Career & Technical Education	91,639	0	14,932	0	(76,707)
Support Services					
Pupil Services	49,997	0	0	0	(49,997)
Instructional Staff	134,480	0	0	0	(134,480)
School Administration	234,847	0	0	0	(234,847)
General Administration	82,386	0	0	0	(82,386)
Business Services	74,816	0	0	0	(74,816)
Operation & Maintenance	475,550	0	0	0	(475,550)
Transportation	376,133	0	0	0	(376,133)
Central Services	14,233	0	0	0	(14,233)
Pupil Activities	7,363	0	0	0	(7,363)
Athletic Activities	105,933	14,434	0	0	(91,499)
Community Services	1,978	0	0	0	(1,978)
Custody and Care of Children	1,927	0	0	0	(1,927)
Other	9,232	0	0	0	(9,232)
Food Service	308,909	71,139	224,021	0	(13,749)
Depreciation – Unallocated*	188,635	0	0	0	(188,635)
Interest on Long-Term Debt	7,186	0	0	0	(7,186)
Total Governmental Activities	<u>\$ 5,182,323</u>	<u>\$ 85,573</u>	<u>\$ 564,149</u>	<u>\$ 0</u>	<u>\$(4,532,601)</u>

General Revenues:

Property Tax, levied for general purposes	\$ 665,648
Property Tax, levied for buildings & site	425,517
Property Tax, levied for School Bus purchase	121,605
State School Aid	3,495,488
Unrestricted investment earnings	1,586
Miscellaneous	27,607
Total General Revenues	<u>\$ 4,737,451</u>
Change in Net Position	\$ 204,850
Net Position – Beginning – Restated see Note 17	<u>(1,865,818)</u>
Net Position - Ending	<u>\$(1,660,968)</u>

* This amount does not include depreciation reported in the direct expenses of the various programs.

The accompanying notes are an integral part of this statement.

CAMDEN-FRONTIER SCHOOL
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Sinking Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 73,624	\$ 748,125	\$ 145,127	\$ 966,876
Due from Other Funds	29,045	85	0	29,130
Due from Other Governmental Units	698,344	0	6,538	704,882
Inventory	<u>0</u>	<u>0</u>	<u>2,596</u>	<u>2,596</u>
Total Assets	<u>\$ 801,013</u>	<u>\$ 748,210</u>	<u>\$ 154,261</u>	<u>\$ 1,703,484</u>
LIABILITIES				
Accounts Payable	\$ 179,456	\$ 0	\$ 119	\$ 179,575
Due to Other Funds	85	0	29,045	29,130
Interest Payable	3,777	0	0	3,777
Salaries & Benefits Payable	297,735	0	6,166	303,901
Notes Payable	400,000	0	0	400,000
Unearned Revenue	<u>0</u>	<u>0</u>	<u>2,197</u>	<u>2,197</u>
Total Liabilities	<u>\$ 881,053</u>	<u>\$ 0</u>	<u>\$ 37,527</u>	<u>\$ 918,580</u>
FUND BALANCES				
Nonspendable	\$ 0	\$ 0	\$ 2,596	\$ 2,596
Restricted	0	748,210	114,138	862,348
Committed	0	0	0	0
Assigned	0	0	0	0
Unassigned	<u>(80,040)</u>	<u>0</u>	<u>0</u>	<u>(80,040)</u>
Total Fund Balances	<u>\$ (80,040)</u>	<u>\$ 748,210</u>	<u>\$ 116,734</u>	<u>\$ 784,904</u>
Total Liabilities and Fund Balances	<u>\$ 801,013</u>	<u>\$ 748,210</u>	<u>\$ 154,261</u>	<u>\$ 1,703,484</u>

The accompanying notes are an integral part of this statement.

CAMDEN-FRONTIER SCHOOL
 Reconciliation of Fund Balances on the Balance Sheet
 for Governmental Funds to Net Position of
 Governmental Activities on the Statement of Net Position
 June 30, 2015

Fund Balances - total governmental funds \$ 784,904

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add: Capital assets	7,264,286
Deduct: Accumulated depreciation	(2,780,524)

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct: Bonds and notes payable	(214,644)
Deduct: Accrued interest on bonds and notes payable	(2,353)
Deduct: Compensated absences payable and retirement buyouts payable	(136,475)

The net pension liability is not due and payable in the current period; therefore, the Liability and related deferred inflows/outflows are not reported in governmental funds:

Add: Deferred Outflows – Pension	702,382
Deduct: Deferred Inflows – Pension	(724,547)
Deduct: Net Pension Liability	<u>(6,553,997)</u>

Net position of governmental activities \$(1,660,968)

The accompanying notes are an integral part of this statement.

CAMDEN-FRONTIER SCHOOL
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>General Fund</u>	<u>Sinking Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUE				
Local Sources				
Property Taxes	\$ 665,648	\$ 425,517	\$ 121,605	\$ 1,212,770
Other Local Revenue	45,698	895	72,625	119,218
State Sources	3,503,237	0	10,443	3,513,680
Federal Sources	<u>320,744</u>	<u>0</u>	<u>213,578</u>	<u>534,322</u>
Total Revenue	<u>\$ 4,535,327</u>	<u>\$ 426,412</u>	<u>\$ 418,251</u>	<u>\$ 5,379,990</u>
EXPENDITURES				
Instruction				
Basic Programs				
Elementary	\$ 1,714,418	\$ 0	\$ 0	\$ 1,714,418
High School	707,206	0	0	707,206
Saturday School	467	0	0	467
Added Needs				
Special Education	236,928	0	0	236,928
Compensatory Education	324,766	0	0	324,766
Career & Technical Education	89,911	0	0	89,911
Support Services				
Pupil Services	48,818	0	0	48,818
Instructional Staff	133,084	0	0	133,084
General Administration	81,548	0	0	81,548
School Administration	227,146	0	0	227,146
Business Services	74,814	0	0	74,814
Operation & Maintenance	383,300	0	0	383,300
Pupil Transportation	328,377	0	0	328,377

CAMDEN-FRONTIER SCHOOL
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	General Fund	Sinking Fund	Other Governmental Funds	Total Governmental Funds
Central Services	14,233	0	0	14,233
Pupil Activities	7,363	0	0	7,363
Athletic Activities	105,325	0	0	105,325
Community Services	1,978	0	0	1,978
Custody and Care of Children	1,927	0	0	1,927
Food Service	0	0	307,156	307,156
Debt Service	0	0	113,683	113,683
Capital Outlay – Nondepreciable	0	83,852	0	83,852
Capital Outlay	68,480	138,301	186,780	393,561
Other	<u>0</u>	<u>0</u>	<u>9,143</u>	<u>9,143</u>
Total Expenditures	<u>\$ 4,550,089</u>	<u>\$ 222,153</u>	<u>\$ 616,762</u>	<u>\$ 5,389,004</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (14,762)</u>	<u>\$ 204,259</u>	<u>\$ (198,511)</u>	<u>\$ (9,014)</u>
OTHER FINANCING SOURCES (USES)				
Bond or Loan Proceeds	\$ 68,479	\$ 0	\$ 190,000	\$ 258,479
Transfers In	9,117	0	38,209	47,326
Transfers Out	(16,912)	0	(30,414)	(47,326)
Other Sources	7,183	0	0	7,183
Other Uses	<u>(77,901)</u>	<u>(89)</u>	<u>0</u>	<u>(77,990)</u>
Total Other Financing Sources (Uses)	<u>\$ (10,034)</u>	<u>\$ (89)</u>	<u>\$ 197,795</u>	<u>\$ 187,672</u>
REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (24,796)</u>	<u>\$ 204,170</u>	<u>\$ (716)</u>	<u>\$ 178,658</u>
FUND BALANCES - Beginning	<u>(55,244)</u>	<u>544,040</u>	<u>117,450</u>	<u>606,246</u>
FUND BALANCES - Ending	<u>\$ (80,040)</u>	<u>\$ 748,210</u>	<u>\$ 116,734</u>	<u>\$ 784,904</u>

The accompanying notes are an integral part of this statement.

CAMDEN-FRONTIER SCHOOL
 Reconciliation of Statement of Revenue, Expenditures
 and Changes in Fund Balances of Governmental Funds
 to the Statement of Activities
 For the Year Ended June 30, 2015

Net changes in fund balances - total governmental funds \$ 178,658

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add: Capital outlay	393,561
Deduct: Depreciation expense	(233,884)

Debt proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Deduct: Debt Proceeds	(258,478)
Add: Principal payments on long-term debt	185,381

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct: Increase in interest payable on long-term liabilities	(1,027)
Add: Decrease in accrual for compensated absences and retirement buyouts	21,791

Contractually required contributions reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows	460,554
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Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities	<u>(541,706)</u>
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Change in net position of governmental activities	<u>\$ 204,850</u>
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The accompanying notes are an integral part of this statement.

CAMDEN-FRONTIER SCHOOL
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2015

ASSETS

Cash

\$ 89,345

LIABILITIES

Due to Student Groups

\$ 89,345

The accompanying notes are an integral part of this statement.

CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Camden-Frontier School is a K-12 public school district with an enrollment of approximately 511 students. The School District operates under a locally elected seven-member Board of Education, and the administrative staff is headed by a superintendent. The School District's boundaries encompass parts of Hillsdale County and Branch County in the State of Michigan.

The accounting policies of Camden-Frontier School conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The following is a summary of significant accounting policies used by Camden-Frontier School:

Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District.

Component units are legally separate organizations for which the School District is financially accountable. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves their budget, the issuance of their debt, or the levying of taxes. The School District has no component units.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. For the most part, the effect of interfund activity has been removed from these statements.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Property taxes, State Aid, and other items not properly included among program revenues are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements - Fund financial statements report detailed information about the School District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is to be collected with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Under the modified accrual basis, the property taxes, interest, and grants are considered to be both measurable and available at fiscal year-end. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as inventory.

Financial Statement Presentation

The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

The School District reports the following major governmental funds:

General Fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the laws of the State of Michigan.

Capital Projects Fund: Sinking Fund - This capital projects fund is used to account for financial resources from the 3.5-mill tax levy for the general upgrade and remodeling of the District's buildings and facilities.

Additionally, the School District reports the following fund types:

Special Revenue Funds - Special Revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust, or major capital projects) that are legally restricted to expenditures for specified purposes (i.e. food service activities).

Debt Retirement Funds - Debt Retirement Funds are used to account for the accumulation of resources for and the payment of general long-term principal, interest, and related costs.

Capital Project Funds - This Capital Project Fund was used to account for financial resources from the .1 mill tax levy for the purchase of 2 buses.

CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less. During the fiscal year ended June 30, 2015, there were no investment accounts.

Inventories - Food service inventories are stated at cost. Federal government food commodities inventories are stated at their assigned U.S.D.A. value. All inventories are charged to expenditures when consumed.

Capital Assets - General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$5,000. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings & Improvements	20 - 50 years
Furniture & Equipment	5 - 20 years
Vehicles and Buses	5 years

Deferred Outflows/Inflows of Resources

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

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

CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences (Vacation and Sick Leave) - It is the School District's policy to permit employees to accumulate earned but unused sick day and personal day benefits. These benefits are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignation, retirement, or death.

Interfund Balances - On fund financial statements, receivables and payables resulting from short-term interfund loans are reported as "due to/from other funds." These amounts are eliminated on the government-wide statement of net position.

Long-Term Obligations - In the government-wide financial statements, all payables, accrued liabilities and long-term obligations are reported as liabilities in the statement of net position. Bonds payable are recorded net of the applicable bond premium or discount. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs are reported as debt retirement expenditures.

Fund Balance - In accordance with Governmental Account Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, the fund financial statements report the following components of fund balance:

- **Nonspendable:** Amounts that are not in a spendable form or are legally or contractually required to be maintained intact.
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose.
- **Committed:** Amounts that have been formally set aside by the School Board for use for specific purposes. Commitments are made and can be rescinded only by a resolution of the School Board.
- **Assigned:** Amounts that are intended to be spent on specific purposes, as expressed by the School Board or by a committee or individual designated by the School Board.
- **Unassigned:** Amounts that are available for day-to-day operations.

The District considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred from purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The District considers restricted funds to be spent first when expenditures are incurred for which both restricted and unrestricted amounts are available.

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

CAMDEN-FRONTIER SCHOOL
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund Activity - Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

Estimates

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

NOTE 2- STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information - The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education. All annual appropriations lapse at fiscal year end.

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

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers appropriations must be approved by the Board of Education at its next regularly scheduled meeting.
- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

During the year, the District incurred expenditures in excess of the amounts appropriated as follows:

<u>Fund</u>	<u>Description</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund	Basic Programs	\$ 2,371,805	\$ 2,422,091	\$ 50,286
General Fund	Business Services	69,035	74,814	5,779
General Fund	Operation & Maintenance	382,674	383,300	626
General Fund	Central Services	0	14,233	14,233
General Fund	Athletic Activities	104,689	105,325	636

Sinking Fund

In accordance with Section 1212(1) of the Michigan School code, the District received voter approval in September, 2001, to levy a tax of 3.5 mills (maximum) for five years, for the purpose of creating a sinking fund for the upgrade and remodeling of the buildings and facilities. This levy was renewed in May, 2006, and in May, 2011. In our opinion, the District is in compliance with the provisions of Section 1212(1) of the Michigan School Code.

CAMDEN-FRONTIER SCHOOL
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

NOTE 3 - DEPOSITS AND INVESTMENTS

State law authorizes the District to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. As of June 30, 2015, the District's deposit and investments are in accordance with statutory authority.

The District uses financial institutions for cash purposes, which is in accordance with statutory authority. The accounts maintained in the financial institutions are checking, savings, and certificates of deposit. The interest rates of the checking and savings accounts are at variable daily rates.

The District's deposits at June 30, 2015, are as follows:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Government</u>
Deposits	<u>\$ 966,876</u>	<u>\$ 89,345</u>	<u>\$ 1,056,221</u>

The District's deposits are subject to several types of risk, which are examined in more detail as follows:

Interest Rate Risk - In accordance with its investment policy, the District minimizes interest rate risk, which is the risk that market value of securities in the portfolio will fall due to changes in the 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 by limiting the average maturity in accordance with the District's cash requirements.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District minimizes credit risk by limiting investments to the types of securities allowed by State law and pre-qualifying the financial institutions with which the District will do business.

Concentration of Credit Risk - The District minimizes concentration of credit risk, which is the risk of loss attributed to 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 financial institution failure, the District's deposits may not be recovered. As of June 30, 2015, \$767,615 of the District's bank balance of \$1,017,615 was exposed to custodial credit risk because it was uninsured. The District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

CAMDEN-FRONTIER SCHOOL
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

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

NOTE 4 - RECEIVABLES

Receivables at June 30, 2015, consist mainly of property taxes and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of property taxes, the stable condition of State programs, and the current year guarantee of Federal funds.

A summary of the principal items of receivables follows:

State Aid	\$ 638,551
Federal grants	48,857
Other	<u>17,474</u>
	<u>\$ 704,882</u>

Governmental funds report unearned revenue in connection with resources that have been received but not yet earned. At the end of the current fiscal year, unearned revenue was recorded in the following funds:

Food Service Fund	<u>\$ 2,197</u>
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NOTE 5 - FUND BALANCE CONSTRAINTS

Fund balances have been constrained for the following purposes:

	<u>General Fund</u>	<u>Sinking Fund</u>	<u>Food Service Fund</u>	<u>2014 School Bus Bonds</u>
Nonspendable:				
Inventory	\$ 0	\$ 0	\$ 2,596	\$ 0
Restricted:				
Capital Outlay	0	748,210	0	0
Food Service	0	0	67,968	0
Debt Service	<u>0</u>	<u>0</u>	<u>0</u>	<u>46,170</u>
	<u>\$ 0</u>	<u>\$ 748,210</u>	<u>\$ 70,564</u>	<u>\$ 46,170</u>

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	<u>\$ 160,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 160,000</u>

CAMDEN-FRONTIER SCHOOL
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

NOTE 6 - CAPITAL ASSETS (continued)

Capital assets being depreciated				
Buildings & Improvements	\$ 5,419,248	\$ 138,301	\$ 0	\$ 5,557,549
Furniture & Equipment	716,883	95,700	0	812,583
Vehicles	<u>627,471</u>	<u>159,560</u>	<u>(52,877)</u>	<u>734,154</u>
Subtotal	<u>\$ 6,763,602</u>	<u>\$ 393,561</u>	<u>\$ (52,877)</u>	<u>\$ 7,104,286</u>
Less accumulated depreciation for				
Buildings & Improvements	\$(1,723,350)	\$ (123,815)	\$ 0	\$(1,847,165)
Furniture & Equipment	(439,006)	(64,820)	0	(503,826)
Vehicles	<u>(437,161)</u>	<u>(45,249)</u>	<u>52,877</u>	<u>(429,533)</u>
Subtotal	<u>\$(2,599,517)</u>	<u>\$ (233,884)</u>	<u>\$ 52,877</u>	<u>\$(2,780,524)</u>
Total capital assets being depreciated, net	<u>\$ 4,164,085</u>	<u>\$ 159,677</u>	<u>\$ 0</u>	<u>\$ 4,323,762</u>
Total capital assets, net	<u>\$ 4,324,085</u>	<u>\$ 159,677</u>	<u>\$ 0</u>	<u>\$ 4,483,762</u>

Depreciation expense was charged to functions/programs of the District as follows:

Support services	
Pupil Transportation	\$ 45,249
Unallocated	<u>188,635</u>
	<u>\$ 233,884</u>

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances at June 30, 2015, is as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	\$ 29,045	Food Service Fund	\$ 29,045
Sinking Fund	\$ 85	General Fund	\$ 85

The interfund balance between General Fund and Food Service Fund represents invoices and payroll paid by General Fund on behalf of the Food Service Fund. The Interfund balance between the Sinking Fund and General Fund represents General Fund invoices paid by the Sinking Fund.

Interfund transfers during the year consisted of the following:

Transfer from General Fund to 2002 Debt Retirement Fund	\$ 16,912
Transfer from Food Service to General Fund	9,117
Transfer from Capital Project Fund to 2014 School Bus Bonds	21,297

The transfer from General Fund to 2002 Debt Retirement Fund was for payments on the 2002 Building & Site Bonds. The transfer from Food Service Fund to General Fund was to charge the Food Service program for indirect costs. The transfer from Capital Projects Fund to 2014 School Bus Bonds was for Bond proceeds received in excess of the cost of the buses.

**CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 8 - SHORT-TERM DEBT

At June 30, 2015, the District had a note payable outstanding of \$400,000. The note had an interest rate of 1.235% and a maturity date of August 20, 2015. The note was secured by the full faith and credit of the District as well as pledged state aid.

On July 23, 2014 the District borrowed \$200,000 through a tax anticipation note. The note had an interest rate of 0.50% per annum and a maturity date of April 1, 2015. The note was issued in anticipation of the collection of general ad valorem property taxes. The note was paid in full as of June 30, 2015.

The following table outlines the District's short-term debt activity for the year ended June 30, 2015:

<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2015</u>
<u>\$ 398,277</u>	<u>\$ 1,300,000</u>	<u>\$ (1,298,277)</u>	<u>\$ 400,000</u>

Short-term debt is issued by the District to provide for cash flow needs between State Aid payments.

NOTE 9 - LONG-TERM DEBT

The District issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Installment purchase agreements are also general obligations of the government.

Bonds Payable

In 2002, the District issued general obligation - limited tax bonds for the purpose of erecting, furnishing, and equipping a kitchen addition; partially remodeling the school building; and developing and improving the site. The bonds are dated August 1, 2002, in the aggregate amount of \$850,000 and require annual payments of principal and semi-annual payments of interest. The interest rates range from 2.25% to 4.25% per annum. The principal balance at June 30, 2015, was \$30,000. These bonds mature on May 1, 2017.

On August 1, 2014, the District issued General Obligation – Unlimited Tax Bonds for the purpose of purchasing two school buses. The bonds are dated August 1, 2014, in the aggregate amount of \$190,000 and require annual payments of principal and semi-annual payments of interest. The interest rate is 2.5% per annum. The principal balance at June 30, 2015, was \$95,000. During this first year, 1 mill was collected instead of the correct .1 mill. The District paid the last two payments in advance. The bonds mature on May 1, 2020.

Installment Loans

The District has financed the purchase of three school buses and 160 desktop computers through installment purchase agreements with local banks.

CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 9 - LONG-TERM DEBT (continued)

Long-term debt activity is summarized as follows:

	<u>Balance</u> <u>6-30-14</u>	<u>Increases</u>	<u>Payments/ Reductions</u>	<u>Balance</u> <u>6-30-15</u>
General Obligation Bonds				
2002 Building and Site Bonds	\$ 45,000	\$ 0	\$ (15,000)	\$ 30,000
2014 School Bus Bonds	0	190,000	(95,000)	95,000
Installment Purchase Agreements				
School Bus Loan	43,253	0	(28,834)	14,419
School Bus Loan	48,739	0	(24,369)	24,370
Computer Loan	0	68,478	(17,623)	50,855
Computer Loan	4,555	0	(4,555)	0
Net Pension Liability	6,973,308	0	(419,311)	6,553,997
Retirement Buyouts	15,000	0	(10,000)	5,000
Compensated Absences	<u>143,266</u>	<u>0</u>	<u>(11,791)</u>	<u>131,475</u>
	<u>\$ 7,273,121</u>	<u>\$ 258,478</u>	<u>\$(626,483)</u>	<u>\$ 6,905,116</u>

Interest rates, maturity dates, and current portions for the above obligations are as follows:

	<u>Interest Rate(s)</u>	<u>Maturity Date</u>	<u>Current Portion</u>
2002 Building and Site Bonds	2.25 - 4.25%	5/1/17	\$ 15,000
2014 School Bus Bonds	2.50%	5/1/20	30,000
School Bus Loan	2.75%	7/23/15	14,419
School Bus Loan	1.4%	9/15/15	24,370
Computer Loan	1.65%	8/23/17	23,472
Retirement Buyout	n/a		<u>5,000</u>
			<u>\$ 112,261</u>

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

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 112,261	\$ 6,603
2017	68,472	4,288
2018	<u>38,911</u>	<u>5,260</u>
Total	<u>\$ 219,644</u>	<u>\$ 16,151</u>

The annual requirements to amortize compensated absences and net pension liability are not included above.

NOTE 10 - COMPENSATED ABSENCES

Vested or sick leave, leave pay, or personal days that are expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the governmental fund that will pay it. The entire compensated absence liability is reported on the government-wide financial statements.

Sick leave is earned by teachers at the rate of 10 days per year, and a maximum of 100 unused days may be accumulated. A teacher who leaves the employ of the District after 15 years of service in the system will be paid for ½ of the accumulated sick days at the current rate of substitute teacher pay.

CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 10 - COMPENSATED ABSENCES (continued)

Leave pay is earned by unionized support personnel at the rate of 13-14 days per year, and a maximum of 150 days may be accumulated. All such employees who have been employed by the District for 15 years or more shall receive, when they resign from employment, payment for $\frac{3}{4}$ of the accumulated leave days at their pay rate at the time of resignation.

NOTE 11 - PROPERTY TAXES

The School District levies its property taxes on December 1 on the taxable valuation of property located in the school district as of the preceding December 31. Various municipalities collect the property taxes and remit them to the District through March. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The total levy for 2014 was 18.0 mills on non-homestead valuation for operational purposes, 3.50 mills on total valuation for the sinking fund, and 1.0 mill was levied for the 2014 School Bus Bonds. The 2014 taxable valuation of the District totaled approximately \$121,826,700.

NOTE 12 - DEFINED BENEFIT PENSION PLAN

Organization

Plan Description

The Michigan Public School Employees' Retirement System (MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended, Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members – eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member. The Governor appointed board members consist of:

- Two active classroom teachers or other certified school personnel.
- One active member or retirant from a non-certified support position.
- One active school system superintendent.
- One active finance or operations (non-superintendent) member.
- One retirant from a classroom teaching position.
- One retirant from a finance or operations management position.
- One administrator or trustee of a community college that is a reporting unit of the System.
- Two from the general public, one with health insurance or actuarial science experience and one with institutional investment experience.
- One elected member of a reporting unit's board of control.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, dental and vision coverage under the Michigan Public School Employees Retirement Act. There are 685 participating employers. The system is a qualified pension trust fund under section 401(a) of the Internal Revenue Code. By statute, employees of K-12 public school districts, public school academies, district libraries, tax-supported community colleges and seven universities may be members. The seven universities are: Eastern Michigan, Central Michigan, Northern Michigan, Western Michigan, Ferris State, Michigan Technological and Lake Superior State. Employees, who first become employed by one of the seven universities on or after January 1, 1996, become members of an alternative plan.

CAMDEN-FRONTIER SCHOOL
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (continued)

The System is administered by the Office of Retirement Services within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

Membership

At September 30, 2014, the System's membership consisted of the following:

Inactive plan members or their beneficiaries currently receiving benefits:

Regular benefits	181,489
Survivor benefits	16,855
Disability benefits	<u>6,168</u>
Total	<u>204,512</u>

Inactive plan members entitled to but not yet receiving benefits 16,979

Active plan members:

Vested	108,934
Non-vested	<u>101,843</u>
Total	<u>210,777</u>

Total plan members 432,268

Benefits Provided

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

A DB member or Pension Plus plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. A refund cancels a former member's rights to future benefits. However, returning members who previously receive a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Member Contributions

Mandatory member contributions were phased out between 1974 and 1977, with the plan remaining noncontributory until January 1, 1987, when the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990 contribute at 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 between January 1, 1990 and June 30, 2008, and returning members who did not work between January 1, 1987, through December 31, 1989, contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. Members first hired July 1, 2008, or later including Pension Plus Plan members, contribute at the following graduated permanently fixed contribution rates: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 6.4% of all wages over \$15,000.

CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (continued)

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 of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate of interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves public school service and no pension is payable, the member's accumulated contributions plus interest, if any are refundable.

Under Public Act 300 of 2012, eligible members voluntarily chose between increasing, maintaining or stopping their contributions to the pension fund as of the transition date. Members who elected to increase their level of contribution contribute 4% (Basic Plan) or 7% (MIP); by doing so they maintain a 1.5% pension factor in their pension formula. Members who elected to maintain their level of contribution will receive a 1.25% pension factor in their pension formula for their years of service as of their transition date. Their contribution rates are described above. Members who elected to stop their contributions became participants in the Defined Contribution plan as of their transition date.

Employer Contributions

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

Summary of Significant Accounting Policies

Basis of Accounting and Presentation

The System's financial statements are prepared using the accrual basis of accounting. Contributions from the employers are recognized as revenue when due and payable. Benefits and refunds are recognized when due and payable in accordance with the terms of the System. The reserves are described below.

GASB Statement No. 67, which was adopted during the year ended September 30, 2014, addresses accounting and financial reporting requirements for pension plans. The requirements for GASB Statement No. 67 require changes in presentation of the financial statements, notes to the financial statements, and required supplementary information.

Significant changes include an actuarial calculation of total and net pension liability. It also includes comprehensive footnote disclosure regarding the pension liability, the sensitivity of the net pension liability to the discount rate, and increased investment activity disclosures. The implementation of GASB Statement No. 67 did not significantly impact the accounting for accounts receivable and investment balances.

Reserves

Reserve for Employee Contributions – This reserve represents active member contributions and interest less amounts transferred to the Reserve for Retired Benefit Payments for regular and disability retirement, amounts refunded to terminated members, and amounts transferred to the Reserve for Employer Contributions representing unclaimed funds.

Members no longer contribute to this reserve except to purchase eligible service credit or repay previously refunded contributions. At September 30, 2014, the balance in this reserve was \$1.5 billion.

CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (continued)

Reserve for Pension Plus Employee Contributions – This reserve represents active member contributions and interest less amounts transferred to the Reserve for Pension Plus Retired Benefit Payments for regular retirement, amounts refunded to terminated members, and amounts transferred to the Reserve for Pension Plus Employer Contributions representing unclaimed funds. This reserve was established under the provisions of Public Act 75 of 1010. At September 30, 2014, the balance in this reserve was \$59.5 million.

Reserve for Member Investment Plan – This reserve represents MIP contributions and interest less refunds and transfers to the Reserve for Retired Benefit Payments. At September 30, 2014, the balance in this reserve was \$4.7 billion.

Reserve for Employer Contributions – This reserve represents all reporting unit contributions, except payments for health benefits. Interest from the Reserve for Undistributed Investment Income reserve is credited annually. Amounts are transferred annually to the Reserve for Retired Benefit Payments to bring the balance of that reserve into balance with the actuarial present value of retirement allowances. At September 30, 2014, the balance in this reserve was (\$25.8) billion.

Reserve for Pension Plus Employer Contributions – This reserve represents all reporting unit contributions for Pension Plus members, except payments for health benefits. Interest from the Reserve for Undistributed Investment Income reserve is credited annually at a rate of 7%. Amounts are transferred annually to the Reserve for Retired Pension Plus Benefit Payments to bring the balance of that reserve into balance with the actuarial present value of retirement allowances. This reserve was established under the provisions of Public Act 75 of 2010. At September 30, 2014, the balance in this reserve was \$55.5 million.

Reserve for Retired Benefit Payments – This reserve represents payments of future retirement benefits to current retirees. At retirement, a member's accumulated contributions plus interest are transferred into this reserve. Monthly benefits, which are paid to the retiree, reduce this reserve. At the end of each fiscal year, an amount, determined by an annual actuarial valuation, is transferred from the Reserve for Employer Contributions to bring the balance of this reserve into balance with the actuarial present value of retirement allowances. At September 30, 2014, the balance in this reserve was \$44.6 billion.

Reserve for Retired Pension Plus Benefit Payments – This reserve represents payments of future retirement benefits to current Pension Plus retirees. At retirement, a member's accumulated contributions plus interest are transferred into this reserve. Monthly benefits, which are paid to the retiree, reduce this reserve. At the end of each fiscal year, an amount, determined by an annual actuarial valuation, is transferred from the Reserve for Pension Plus Employer Contributions to bring the balance of this reserve into balance with the actuarial present value of retirement allowances. This reserve was established under the provisions of Public Act 75 of 2010. Currently, there are no participants qualified to retire under this program. At September 30, 2014, the balance in this reserve was \$0.

Reserve for Undistributed Investment Income – This reserve represents all investment earnings. Interest is transferred annually to the other reserves. Administrative expenses of the system are paid from the Reserve for Administrative Expenses, which is credited with amounts from the Reserve for Undistributed Investment Income to cover the expenses. For ease of reporting and understanding, the two reserves are presented as one reserve in the supporting schedules. Public Act 143 of 1997 established a stabilization subaccount within the Reserve for Undistributed Investment Income to which any over funding is credited. As of September 30, 2014, the balance in the subaccount was zero. At September 30, 2014, the balance in this reserve was \$18.6 billion.

CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (continued)

Reserve for Health (OPEB) Related Benefits – This reserve is credited with employee and employer contributions for retirees’ health, dental, and vision benefits. Starting in fiscal year 2013, the employer contribution is based on a prefunded basis and represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liability (or funding excess) over a period not to exceed thirty years. In addition, in fiscal year 2014, federal funding for Medicare Part D and Employer Group Waiver Plan (EGWP) was paid directly to a third party vendor. The third party vendor uses the EGWP funding for claims outstanding. Premiums for health, dental and vision benefits are paid from this reserve. At September 30, 2014, the balance in this reserve was \$3.5 billion.

Reporting Entity

The System is a pension and other employee benefit trust fund of the State. As such, the System is considered part of the State and is included in the State’s Comprehensive Annual Financial Report as a pension and other employee benefit trust fund. The System and Board are not financially accountable for any other entities or other organizations. Accordingly, the System is the only entity included in this financial report.

Benefit Protection

Public Act 100 of 2002 was passed by the Michigan Legislature to protect pension benefits of public employees from alienation (being transferred). Alienation is attachment, garnishment, levy, execution, bankruptcy or other legal process except for divorce orders or eligible domestic relation orders. The statutes governing the System contained an “antialienation” clause to provide for this protection; however, many smaller public pension systems did not have the benefit of this protection. Therefore, Public Act 100 of 2002 was passed to establish legal protection of pension assets that encompasses all public employees.

Fair Value of Investments

Plan investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds not traded on a national or international exchange are based on equivalent values of comparable securities with similar yield and risk. The fair value of private investments is based on the net asset value reported in the financial statements of the respective investment entity. The net asset value is determined in accordance with governing documents of the investment entity, and is subject to an independent annual audit. Securities purchased with cash collateral under securities lending activities are recorded at estimated fair value. Other investments not having an established market are recorded at estimated fair value.

Investment Income

Dividend and interest income is recognized on the accrual basis. Fair value changes are recorded as investment income or loss. Purchases and sales of investments are recorded as of the trade date (the date upon which the transaction is initiated), except for purchase and sale of mortgages, real estate, and alternative investments which are recorded as of the settlement date (the date upon which the transaction is ultimately completed). The effect of recording such transactions as of the settlement date does not materially affect the financial statements.

Costs of Administering the System

Each year a restricted general fund appropriation is requested to fund the on-going business operations of the System. These administrative costs are ultimately funded by the System through the regular

CAMDEN-FRONTIER SCHOOL
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (continued)

transfer of funds from the System to the State's general fund based on either a direct cost or allocation basis depending on the nature of the expense. Costs of administering the System are financed by undistributed investment income of the System.

Property and Equipment

Office space is leased from the State on a year to year basis. Office equipment is capitalized if the value exceeds \$5,000. These assets are recorded at cost and are reported net of depreciation in the Statement of Pension Plan and Other Postemployment Benefit Plan Fiduciary Net Position. Such assets are depreciated on a straight-line basis over 10 years. As of September 30, 1998, all capitalized equipment was fully depreciated. No additional equipment has been capitalized for the System since that date.

Related Party Transactions

Leases and Services – The System leases operating space and purchases certain administrative, date processing, legal and investment services from the State. The space and services are not otherwise available by competitive bid. The schedule below summarizes costs incurred by the System for such services.

Cash

At September 30, 2014, the System had \$246.7 million in a common cash investment pool maintained for various State operating funds. The participating funds in the common cash pool earn interest at various rates depending upon prevailing short-term interest rates. Earnings from these activities amounted to (\$0.6) thousand for the year ended September 30, 2014.

Contributions and Funding Status

The majority of the members currently participate on a contributory basis, as described above under "Benefits Provided." Reporting units are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. For retirement and OPEB benefits, the unfunded (overfunded) actuarial accrued liability as of the September 30, 2014 valuation will be amortized over a 22 year period for the 2014 fiscal year. The schedule below summarizes pension contribution rates in effect for fiscal year 2014:

Pension Contribution Rates

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0 – 4.0 %	18.34 – 19.61 %
Member Investment Plan	3.0 – 7.0	18.34 – 19.61
Pension Plus	3.0 – 6.4	18.11 – 15.44
Defined Contribution	0.0	15.44 – 16.61

CAMDEN-FRONTIER SCHOOL
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (continued)

The System may reconcile with actuarial requirements annually. If the System reconciles in a year, any funding excess or deficiency for pension benefits is smoothed over a maximum of 5 years, with at least one-fifth (20%) of the funding excess or deficiency included in the subsequent year's contribution. This payment is not recognized as a payable or receivable in the accounting records. If the System does not reconcile in a year, any funding excess or deficiency for pension benefits is accounted for in subsequent required contributions over the remaining amortization period. For fiscal year 2014, the System did not reconcile.

In May 1996, the Internal Revenue Service issued a private letter ruling allowing the System's members to purchase service credit and repay refunds using tax-deferred (pre-tax) dollars. The program was implemented in fiscal year 1998, and payments began in fiscal year 1999.

The program allows members to purchase service credit and repay refunds on a tax-deferred basis. Members sign an irrevocable agreement that identifies the contract duration, monthly payment, total contract amount and years of service credit being purchased. The duration of the contract can range from 1 to 20 years. The amounts are withheld from member's paychecks and are treated as employer pick-up contributions pursuant to Internal Revenue Code Section 414(h). At September 30, 2014, there were 16,503 agreements. The agreements were discounted using the assumed actuarial rate of return of 8% for September 30, 2014. The average remaining length of a contract was approximately 6.0 years for 2013. The short-term receivable was \$29.7 million and the discounted long-term receivable was \$83.6 million at September 30, 2014.

Net Pension Liability – Non-University

Measurement of the MPSERS Net Pension Liability

The plan's net pension liability is to be measured as the total pension liability, less the amount of the pension plan's fiduciary net position. In actuarial terms, this will be the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement).

MPSERS (Plan) Net Pension Liability - Non-University

As of September 30, 2014

Total Pension Liability	\$ 65,160,887,182	
Plan Fiduciary Net Position	<u>\$ 43,134,384,072</u>	
Net Pension Liability	<u>\$ 22,026,503,110</u>	
Plan Fiduciary Net Position as a Percentage of Total Pension Liability		66.20%
Net Pension Liability as a Percentage of Covered-Employee Payroll		250.11%

Year 1 MPSERS GASB 68 implementation recognizes a 0.00% change in the reporting units' proportionate share between beginning net pension liability and ending net pension liability.

MPSERS (Plan) Net Pension Liability - Non-University

As of October 1, 2013

Total Pension Liability	\$ 65,859,499,994
Plan Fiduciary Net Position	<u>\$ 39,427,686,072</u>
Net Pension Liability	<u>\$ 23,431,813,922</u>

CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (continued)

Proportionate Share of District's Net Pension Liability

At September 30, 2014, the District reported a liability of \$6,553,997 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2013. The District's proportionate share of the net pension liability was based on statutorily required contributions in relation to all reporting units' statutorily required contributions for the measurement period. At September 30, 2014, the District's proportionate share percent was 0.02976% percent.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2014, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return*</u>
Domestic Equity Pools	28.0%	4.8%
Alternative Investment Pools	18.0	8.5
International Equity	16.0	6.1
Fixed Income Pools	10.5	1.5
Real Estate and Infrastructure Pools	10.0	5.3
Absolute Return Pools	15.5	6.3
Short Term Investment Pools	<u>2.0</u>	(0.2)
Total	<u>100.0%</u>	

*Long term rate of return does not include 2.5% inflation

Rate of Return

For the fiscal year ended September 30, 2014, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 12.58%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 8.0% was used to measure the total pension liability (7% for the Pension Plus Plan, a hybrid plan). This discount rate was based on the long term expected rate of return on pension plan investments of 8.0% (7.0% for the Pension Plus Plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CAMDEN-FRONTIER SCHOOL
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

As required by GASB Statement No. 68, the following presents the District's proportionate share of the net pension liability, calculated using a discount rate of 8.0% (7.0% for the Pension Plus Plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease (Non-Hybrid/Hybrid)	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)	1% Increase (Non-Hybrid/Hybrid)
<u>7.0% / 6.0%</u>	<u>8.0% / 7.0%</u>	<u>9.0% / 8.0%</u>
\$ 8,640,874	\$ 6,553,997	\$ 4,795,772

Timing of the Valuation

An actuarial valuation to determine the total pension liability is required to be performed every year. If the actuarial valuation is not calculated as of the plan's fiscal year end, the total pension liability is required to be rolled forward from the actuarial valuation date to the pension plan's fiscal year end.

The total pension liability as of September 30, 2014, is based on the results of an actuarial valuation date of September 30, 2013, and rolled forward using generally accepted actuarial procedures.

Actuarial Valuations and Assumptions

Actuarial valuations for the pension plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions (ARC) are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Actuarial Assumptions

Wage Inflation Rate:	3.5%
Investment Rate of Return:	
- MIP and Basic Plans (Non-Hybrid)	8.0%
- Pension Plus Plan (Hybrid)	7.0%
Projected Salary Increases:	3.5–12.3% including wage inflation at 3.5%
Cost-of-Living Pension Adjustments	3.0% Annual Non-Compounded
Healthcare Cost Trend Rate:	8.5% Year 1 graded to 3.5% Year 12

CAMDEN-FRONTIER SCHOOL
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2015

NOTE 12 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (continued)

Mortality:

- RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Notes:

- Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2014, is based on the results of an actuarial valuation date of September 30, 2013, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.8457
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2014 MPSERS Comprehensive Annual Financial Report.

Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – Non-University

For the year ended June 30, 2015, the District recognized total pension expense of \$530,891. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 0	\$ 0
Changes of assumptions	241,828	0
Net difference between projected and actual earnings on pension plan investments	0	724,547
Changes in proportion and differences between District contributions and proportionate share of contributions	0	0
District contributions subsequent to the measurement date	<u>460,554</u>	<u>0</u>
Total	<u>\$ 702,382</u>	<u>\$ 724,547</u>

\$460,554 reported as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized in pension expense as follows:

<u>Plan Year Ending September 30:</u>	<u>Amount</u>
2015	\$ (118,254)
2016	(118,254)
2017	(118,254)
2018	(127,957)

CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 13 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical benefits and participates in the MASB-SEG Property/Casualty risk pool for the remaining areas of risk. There has been no significant reduction in coverages, and settled claims have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The MASB/SEG Property/Casualty Pool, Inc. is a public entity risk pool (self-insurance pool) which provides for reinsurance by various insurance companies at various levels, depending on coverage.

Should the pool experience significant losses in the aggregate, the School District may be required to pay additional monies to the pool. At present, the pool has not required additional funds, but rather has issued refunds based on experience gains over experience losses over the last few years.

NOTE 14 - UNEMPLOYMENT TAXES

The School District is a reimbursing employer to the Michigan Unemployment Insurance Agency and, as such, is responsible to pay the Agency for those benefits paid and charged to its account. As of June 30, appropriate liabilities have been recorded for all claims paid by the Agency. However, no provision has been made for future payments that might result from claims in process or not filed.

NOTE 15 - COMMITMENTS

In its June, 2015 meeting, the Board took the following actions:

- Approved borrowing up to \$1,100,000, in anticipation of State Aid for the 2015-2016 year.
- Approved borrowing \$230,000 in a tax anticipation note.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 19, 2015, the date on which the financial statements were available to be issued.

NOTE 17 – CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

For fiscal year 2015, the District's implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported June 30, 2015.

Net position June 30, 2014	\$ 4,629,192
Adjustments:	
Net Pension Liability	(6,973,308)
Deferred Outflow – Payments Subsequent to Measurement Date	478,298
Restated Net Position June 30, 2014	<u>\$(1,865,818)</u>

CAMDEN-FRONTIER SCHOOL
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	Budget Amounts			Actual
	Original	Final	Actual	Over (Under) Final Budget
REVENUE				
Local Sources	\$ 675,863	\$ 689,461	\$ 711,346	\$ 21,885
State Sources	3,134,295	3,506,453	3,503,237	(3,216)
Federal Sources	333,600	346,112	320,744	(25,368)
Total Revenue	\$ 4,143,758	\$ 4,542,026	\$ 4,535,327	\$ (6,699)
EXPENDITURES				
Instruction				
Basic Programs	\$ 2,018,750	\$ 2,371,805	\$ 2,422,091	\$ 50,286
Added Needs	541,191	672,118	651,605	(20,513)
Support Services				
Pupil Services	92,325	52,549	48,818	(3,731)
Instructional Staff	128,051	174,334	133,084	(41,250)
General Administration	84,353	85,121	81,548	(3,573)
School Administration	209,211	228,127	227,146	(981)
Business Services	75,300	69,035	74,814	5,779
Operation & Maintenance	388,732	382,674	383,300	626
Pupil Transportation	332,085	332,199	328,377	(3,822)
Central Services	0	0	14,233	14,233
Pupil Activities	0	9,000	7,363	(1,637)
Athletic Activities	113,179	104,689	105,325	636
Community Services	1,475	2,475	1,978	(497)
Custody and Care of Children	0	1,928	1,927	(1)
Capital Outlay	0	68,480	68,480	0
Total Expenditures	\$ 3,984,652	\$ 4,554,534	\$ 4,550,089	\$ (4,445)
REVENUE OVER (UNDER) EXPENDITURES	\$ 159,106	\$ (12,508)	\$ (14,762)	\$ (2,254)
OTHER FINANCING SOURCES (USES)				
Bond or Loan Proceeds	\$ 0	\$ 68,479	\$ 68,479	\$ 0
Operating Transfers in	0	0	9,117	9,117
Operating Transfers out	(21,678)	(16,956)	(16,912)	44
Other Sources	4,000	4,000	7,183	3,183
Other Uses	(80,000)	(80,770)	(77,901)	2,869
Total Other Financing Sources (Uses)	\$ (97,678)	\$ (25,247)	\$ (10,034)	\$ 15,213
REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ 61,428	\$ (37,755)	\$ (24,796)	\$ 12,959
FUND BALANCES - Beginning	(55,244)	(55,244)	(55,244)	0
FUND BALANCES - Ending	\$ 6,184	\$ (92,999)	\$ (80,040)	\$ 12,959

The accompanying notes are an integral part of this statement.

CANMDEN-FRONTIER SCHOOL
Schedule of the District's Proportionate Share of the Net Pension Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
A. District's proportion of net pension liability (%)										0.02976%
B. District's proportionate share of net pension liability										\$ 6,553,997
C. District's covered-employee payroll										\$ 2,663,818
D. District's proportionate share of net pension liability as a percentage of its covered-employee payroll										246.04%
E. Plan fiduciary net position as a percentage of total pension liability										66.20%

CAMDEN-FRONTIER SCHOOL
Schedule of the District's Contributions
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Amounts were determined as of 6/30 of each year)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
A. Statutorily required contributions										\$ 604,559
B. Contributions in relation to statutorily Required contributions										<u>604,559</u>
C. Contribution deficiency (excess)										<u>\$ 0</u>
D. District's covered-employee payroll										\$ 2,500,176
E. Contributions as a percentage of covered-employee payroll										24.18%

CAMDEN-FRONTIER SCHOOL
Notes to Required Supplementary Information
for the Year Ended June 30,2015

Changes of benefit terms: There were no changes of benefit terms in 2015.

Changes of assumptions: There were no changes of benefit assumptions in 2015.

CAMDEN-FRONTIER SCHOOL
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2015

	Food Service <u>Fund</u>	Capital Project <u>Fund</u>	<u>Debt Retirement Funds</u>		Total Nonmajor Governmental <u>Funds</u>
			2002 Building & <u>Site Bonds</u>	2014 School <u>Bus Bonds</u>	
ASSETS					
Cash	\$ 98,957	\$ 0	\$ 0	\$ 46,170	\$ 145,127
Due from other Governmental Units	6,538	0	0	0	6,538
Inventory	<u>2,596</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,596</u>
Total Assets	<u>\$ 108,091</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 46,170</u>	<u>\$ 154,261</u>
LIABILITIES					
Accounts Payable	\$ 119	\$ 0	\$ 0	\$ 0	\$ 119
Due to other funds	29,045	0	0	0	29,045
Salaries & Benefits Payable	6,166	0	0	0	6,166
Unearned Revenue	<u>2,197</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,197</u>
Total Expenditures	<u>\$ 37,527</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 37,527</u>
FUND BALANCE					
Nonspendable	\$ 2,596	\$ 0	\$ 0	\$ 0	\$ 2,596
Restricted	67,968	0	0	46,170	114,138
Committed	0	0	0	0	0
Assigned	0	0	0	0	0
Unassigned	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Total Fund Balances	<u>\$ 70,564</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 46,170</u>	<u>\$ 116,734</u>
Total Liabilities & Fund Balances	<u>\$ 108,091</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 46,170</u>	<u>\$ 154,261</u>

The accompanying notes are an integral part of this statement.

**CAMDEN-FRONTIER SCHOOL
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Food Service Fund	Capital Project Fund	Debt Retirement Funds		Total Nonmajor Governmental Funds
			2002 Building & Site Bonds	2014 School Bus Bonds	
REVENUE					
Property Taxes	\$ 0	\$ 0	\$ 0	\$ 121,605	\$ 121,605
Food Service Sales	71,139	0	0	0	71,139
State School Aid	10,443	0	0	0	10,443
Federal National School Lunch Program	213,578	0	0	0	213,578
Interest Income	147	0	0	39	186
Miscellaneous Income	1,300	0	0	0	1,300
Total Revenue	<u>\$ 296,607</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 121,644</u>	<u>\$ 418,251</u>
EXPENDITURES					
Salaries & Wages	\$ 39,417	\$ 0	\$ 0	\$ 0	\$ 39,417
Employee Benefits	16,533	0	0	0	16,533
Purchased Services	41,178	0	0	0	41,178
Supplies & Materials	198,322	0	0	0	198,322
Capital Outlay – Nondepreciable	7,907	0	0	0	7,907
Capital Outlay	27,220	159,560	0	0	186,780
Other	3,799	9,143	0	0	12,942
Redemption of Principal	0	0	15,000	95,000	110,000
Interest on Debt	0	0	1,912	1,771	3,683
Total Expenditures	<u>\$ 334,376</u>	<u>\$ 168,703</u>	<u>\$ 16,912</u>	<u>\$ 96,771</u>	<u>\$ 616,762</u>
Excess of Revenue Over (Under) Expenditures	<u>\$ (37,769)</u>	<u>\$ (168,703)</u>	<u>\$ (16,912)</u>	<u>\$ 24,873</u>	<u>\$ (198,511)</u>
OTHER FINANCING SOURCES (USES)					
Bond Proceeds	\$ 0	\$ 190,000	\$ 0	\$ 0	\$ 190,000
Transfers In	0	0	16,912	21,297	38,209
Transfers Out	<u>(9,117)</u>	<u>(21,297)</u>	<u>0</u>	<u>0</u>	<u>(30,414)</u>
Total Other Financing Sources (Uses)	<u>\$ (9,117)</u>	<u>\$ 168,703</u>	<u>\$ 16,912</u>	<u>\$ 21,297</u>	<u>\$ 197,795</u>
Net Change in Fund Balances	\$ (46,886)	\$ 0	\$ 0	\$ 46,170	\$ (716)
FUND BALANCES – Beginning	<u>117,450</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>117,450</u>
FUND BALANCES – Ending	<u>\$ 70,564</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 46,170</u>	<u>\$ 116,734</u>

The accompanying notes are an integral part of this statement.

CAMDEN-FRONTIER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor Pass-Through Grantor Program Title - Grant Number	Federal CFDA Number	Pass-through Grantor's Number	Award Amount	Accrued or (Deferred) Revenue 7/1/14	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue 6/30/15
U.S. Department of Agriculture:								
Passed through Michigan Department of Education:								
Child Nutrition Cluster:								
Non-cash assistance (commodities):								
National School Lunch Program	10.555		\$ 12,305	\$ 0	\$ 0	\$ 12,305	\$ 12,305	\$ 0
Cash assistance:								
School Breakfast Program	10.553	141970	\$ 8,726	\$ 0	\$ 0	\$ 8,726	\$ 8,726	\$ 0
		151970	70,630	0	0	67,779	70,630	2,851
			<u>\$ 79,356</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 76,505</u>	<u>\$ 79,356</u>	<u>\$ 2,851</u>
National School Lunch	10.555	141960	\$ 15,078	\$ 0	\$ 0	\$ 15,078	\$ 15,078	\$ 0
		151960	106,839	0	0	103,152	106,839	3,687
			<u>\$ 121,917</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 118,230</u>	<u>\$ 121,917</u>	<u>\$ 3,687</u>
Total U.S. Department of Agriculture			<u>\$ 213,578</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 207,040</u>	<u>\$ 213,578</u>	<u>\$ 6,538</u>
U.S. Department of Education:								
Direct programs:								
Title VI – Rural Education	84.358A	S358A12631	\$ 12,165	\$ 8,137	\$ 12,165	\$ 8,137	\$ 0	\$ 0
		S358A14631	9,023	0	0	4,000	4,000	0
			<u>\$ 21,188</u>	<u>\$ 8,137</u>	<u>\$ 12,165</u>	<u>\$ 12,137</u>	<u>\$ 4,000</u>	<u>\$ 0</u>
Passed through Michigan Department of Education:								
Title I Part A – Improving Basic Programs	84.010	141530/1314	\$ 315,962	\$ 40,747	\$ 311,068	\$ 45,641	\$ 4,894	\$ 0
		151530/1415	284,979	0	0	221,268	253,987	32,719
			<u>\$ 600,941</u>	<u>\$ 40,747</u>	<u>\$ 311,068</u>	<u>\$ 266,909</u>	<u>\$ 258,881</u>	<u>\$ 32,719</u>
Title II Part A – Teacher/principal Training and Recruiting	84.367	140520/1314	\$ 55,352	\$ 8,209	\$ 55,352	\$ 8,209	\$ 0	\$ 0
		150520/1415	53,862	0	0	45,006	53,862	8,856
			<u>\$ 109,214</u>	<u>\$ 8,209</u>	<u>\$ 55,352</u>	<u>\$ 53,215</u>	<u>\$ 53,862</u>	<u>\$ 8,856</u>

CAMDEN-FRONTIER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015
(continued)

Federal Grantor Pass-Through Grantor <u>Program Title - Grant Number</u>	Federal CFDA <u>Number</u>	Pass-through Grantor's <u>Number</u>	Award <u>Amount</u>	Accrued or (Deferred) Revenue <u>7/1/14</u>	(Memo Only) Prior Year <u>Expenditures</u>	Current Year <u>Receipts</u>	Current Year <u>Expenditures</u>	Accrued (Deferred) Revenue <u>6/30/15</u>
U.S. Department of Education (continued):								
Passed through Lenawee County Intermediate School District:								
Title II Part B –Mathematics and Science	84.366B		<u>\$ 2,903</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,903</u>	<u>\$ 2,903</u>	<u>\$ 0</u>
Passed Through Hillsdale County Intermediate School District:								
Medical Assistance Program	93.778		<u>\$ 1,098</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,098</u>	<u>\$ 1,098</u>	<u>\$ 0</u>
Total U.S. Department of Education			<u>\$ 735,344</u>	<u>\$ 57,093</u>	<u>\$ 378,585</u>	<u>\$ 336,262</u>	<u>\$ 320,744</u>	<u>\$ 41,575</u>
Total Federal Financial Assistance			<u>\$ 948,922</u>	<u>\$ 57,093</u>	<u>\$ 378,585</u>	<u>\$ 543,302</u>	<u>\$ 534,322</u>	<u>\$ 48,113</u>

NOTES:

1. This schedule includes the federal grant activity of Camden –Frontier School and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB A-133 and reconciles with the amounts presented in the financial statements.
2. Management has utilized the Grants Section Auditors Report (Form R7120) and CMS Grant Auditor Report (GAR) in preparing this schedule.
3. The amounts reported on the Recipient Entitlement Balance Report agree with this schedule for USDA donated food commodities
4. Title I (CFDA #84.010) was audited as a major program, representing 48% of total expenditures.

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

To the Board of Education
Camden-Frontier School
Camden, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Camden-Frontier School as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Camden-Frontier School's basic financial statements, and have issued our report thereon dated October 19, 2015.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses (Finding 2015-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Camden-Frontier School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs (Finding 2015-002 & Finding 2015-003).

Camden-Frontier School's Response to Findings

Camden-Frontier School's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Camden-Frontier School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Bailey, Hodshire & Company, P.C.

Jonesville, Michigan

October 19, 2015

Bailey, Hodshire
& Company, P.C.
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133

To the Board of Education
Camden-Frontier School
Camden, Michigan

Report on Compliance for Each Major Federal Program

We have audited Camden-Frontier School's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Camden-Frontier School's major federal programs for the year ended June 30, 2015. Camden-Frontier School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Camden Frontier School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Camden-Frontier School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Camden-Frontier School's compliance.

Opinion on Each Major Federal Program

In our opinion, Camden-Frontier School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report On Internal Control Over Compliance

Management of Camden-Frontier School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Camden-Frontier School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Camden-Frontier School's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Bailey, Hodshire & Company, P.C.

Jonesville, Michigan
October 19, 2015

CAMDEN-FRONTIER SCHOOL
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 JUNE 30, 2015

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	<u> X </u>	Yes	<u> </u> No
Significant deficiency(ies) identified?	<u> </u>	Yes	<u> X </u> No
Noncompliance material to financial statements noted?	<u> X </u>	Yes	<u> </u> No

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	<u> </u>	Yes	<u> X </u> No
Significant deficiency(ies) identified?	<u> </u>	Yes	<u> X </u> No

Type of auditor’s report issues on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?	<u> </u>	Yes	<u> X </u> No

Major Programs

CFDA Numbers
84.010

Name of Federal Program or Cluster
Title I

Dollar threshold to distinguish between Type A and Type B programs:	\$300,000		
Auditee qualifies as low-risk auditee?	<u> X </u>	Yes	<u> </u> No

CAMDEN-FRONTIER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

SECTION II – FINANCIAL STATEMENT FINDINGS

INTERNAL CONTROL ISSUES

Finding 2015-001 – Preparation of financial statements in accordance with GAAP

Criteria or Specific Requirement: All local governmental units are required to prepare financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). This is a responsibility of the governmental unit's management. The preparation of financial statements in accordance with GAAP requires internal controls over the following: (1) recording, processing, and summarizing accounting data (i.e. maintaining internal books and records), (2) reporting government-wide and fund financial statements, including the related notes, and (3) preparing the schedule of expenditures of federal awards.

Condition: As is the case with many small governmental entities, the District does not have procedures in place to prepare financial statements, the notes to financial statements, and the schedule of expenditures of federal awards in accordance with GAAP. The assistance of the external auditor is required for these tasks.

Cause: Management has made the decision that it is in their best interest to outsource these tasks to the external auditors rather than to incur the time and expense of obtaining the necessary training and expertise required for the Village to perform them internally.

Effect: The result of this condition is that the District lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

Recommendation: At this time, we recommend no changes to the situation and communicate this as required by professional standards.

View of Responsible Officials and Planned Corrective Action: The District is aware of this deficiency and believes that the time and expense that would be required to obtain the necessary training and expertise to perform these tasks internally would not be cost beneficial. The District will continue to use the external auditors for this technical assistance and will continue to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

COMPLIANCE ISSUES

Finding 2015-002 – Expenditures incurred in excess of the amounts appropriated

Criteria or Specific Requirement: Prior to June 30 every year, the District adopts an operating budget for the General Fund and any other major funds. During the year, financial activity should be analyzed to be sure that the District is operating within the budget adopted. The District may make amendments to the budget as necessary, through the passage of a resolution.

Condition: During the year the District did not amend the budget as needed, and expenditures were incurred that exceeded the budgeted amounts in several areas.

Cause: The District did not monitor the budget carefully enough to ensure that the required amendments were made.

CAMDEN-FRONTIER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

Effect: The result of this condition is that the District and numerous areas where the actual expenditures exceeded the final amended budget. This is a violation of State Statute.

Recommendation: We recommend that the School District implements internal controls to ensure that they are continually monitoring the financial activity of the District to be sure that they are operating within the authorized budget and to follow the proper procedures for amending the budget as needed.

View of Responsible Officials and Planned Corrective Action: The District will implement the necessary internal controls to ensure that the budget is monitored closely and that the proper procedures are made to amend the budget if necessary.

Finding 2015-003 – Deficit Fund Balance

Criteria or Specific Requirement: MCL (Michigan Compiled Laws) 141.436 states, except as otherwise permitted in MCL 388.1702, the local school board shall not adopt a general appropriations act (Budget) or an amendment to that act which causes estimated total expenditures to exceed total estimated revenues including prior year fund balance, or incur an actual fund balance deficit.

Condition: As of June 30, 2015, the District has a deficit fund balance in the General Fund.

Cause: A decrease in student enrollment without sufficient expenditure cuts

Effect: The result of this condition is that the District is not in compliance with State Statute.

Recommendation: The District should continue to communicate with the Michigan Department of Education in this second year of deficit fund balance and revise the deficit reduction plan in order to achieve a positive fund balance by 6-30-2016.

View of Responsible Officials and Planned Corrective Action: The District will continue to communicate with the State of Michigan and work towards a positive fund balance.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV – PRIOR YEAR FINDINGS

Not applicable – no findings or questioned costs related to federal awards in the prior year.