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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, 2014, 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, 2014, 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 and budgetary comparison information on pages 4 through 7 and pages 33 through 35 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 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 9, 2014, 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 9, 2014

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, 2014. 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 \$4,629,192 at June 30, 2014, an increase of 1.2% from the prior year. Of this amount, there is an unrestricted deficit balance of \$213,510. 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>2013</u>	<u>2014</u>
Assets		
Current Assets	\$ 1,632,297	\$ 1,548,254
Noncurrent Assets	<u>4,248,608</u>	<u>4,324,085</u>
Total Assets	<u>\$ 5,880,905</u>	<u>\$ 5,872,339</u>
Liabilities		
Current Liabilities	\$ 1,056,309	\$ 1,064,881
Noncurrent Liabilities	<u>250,026</u>	<u>178,266</u>
Total Liabilities	<u>\$ 1,306,335</u>	<u>\$ 1,243,147</u>
Net Position		
Invested in Capital Assets - Net of Related Debt	\$ 3,995,250	\$ 4,181,212
Restricted	503,574	661,490
Unrestricted	<u>75,746</u>	<u>(213,510)</u>
Total Net Position	<u>\$ 4,574,570</u>	<u>\$ 4,629,192</u>

The \$213,510 deficit in unrestricted net position represents the accumulated results of all past years' operations. This deficit results from liabilities in excess of unrestricted assets as of June 30, 2014.

TABLE 2 - CHANGES IN NET POSITION

Program Revenue	<u>2013</u>	<u>2014</u>
Charges for Services	\$ 84,654	\$ 83,928
Operating Grants and Contributions	615,470	613,464
Capital Grants and Contributions	0	0
General Revenue		
Property Taxes	1,064,991	1,082,838
State Aid	3,658,204	3,534,515
Other	<u>56,890</u>	<u>30,811</u>
Total Revenue	<u>\$ 5,480,209</u>	<u>\$ 5,345,556</u>
Expenses		
Instruction	\$ 3,309,153	\$ 3,299,685
Support Services	1,488,443	1,544,520
Food Services	247,430	269,984
Depreciation - Unallocated	171,530	171,717
Interest on Long-Term Obligations	<u>8,483</u>	<u>5,028</u>
Total Expenses	<u>\$ 5,225,039</u>	<u>\$ 5,290,934</u>
INCREASE (DECREASE) IN NET POSITION	<u>\$ 255,170</u>	<u>\$ 54,622</u>

As shown above, the cost of all of our governmental activities this year was \$5,290,934. However, the amount that our taxpayers ultimately financed for these activities through School property taxes was only \$1,082,838 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, 2014, the School District amended the General Fund budget once.

General Fund

For the General Fund, actual revenue was \$4,632,282, which is above the original budget estimate of \$4,484,383, and the final amended budget of \$4,616,483.

The actual expenditures of the General Fund were \$4,750,948, which is above the original budget estimate of \$4,441,536, and above the final amended budget of \$4,643,631.

The General Fund ended the year with a deficit balance of \$55,244. A deficit elimination plan has been filed with the Michigan Department of Education.

June 30, 2014

Capital Asset and Debt Administration

At the end of fiscal year 2014, the School District had \$6,923,602 invested in land and buildings, furniture and equipment, vehicles, and buses. We have estimated that these assets have depreciated by \$2,599,517 through June 30, 2014; therefore, we currently have net book value of \$4,324,085. Total additions for the year totaled \$292,437, which consisted of fencing, classroom heating units, and a resurfaced track. Capital assets at year-end were as follows:

	<u>2013</u>	<u>2014</u>
Land	\$ 160,000	\$ 160,000
Buildings and Improvements	5,221,811	5,419,248
Furniture and Equipment	716,883	716,883
Vehicles	664,967	627,471
Less: Accumulated Depreciation	<u>(2,515,053)</u>	<u>(2,599,517)</u>
Total Capital Assets, net of depreciation	<u>\$ 4,248,608</u>	<u>\$ 4,324,085</u>

At June 30, 2014, the School District had \$156,547 in bonds and notes outstanding, as shown below:

	<u>2013</u>	<u>2014</u>
General Obligation Bonds		
2002 Building and Site Bonds	\$ 60,000	\$ 45,000
Installment Purchase Agreements:		
School Buses	159,313	91,992
Computer Lease-Purchase	31,888	4,555
Retirement Buyout	<u>0</u>	<u>15,000</u>
Total Long-Term Debt	<u>\$ 251,201</u>	<u>\$ 156,547</u>

Factors Bearing on the District's Future

Enrollment and State Aid will continue to be critical for the future of the District.

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, 2014**

ASSETS

Current Assets	
Cash	\$ 742,374
Investments	77,984
Accounts Receivable	11,635
Due from Other Governmental Units	713,596
Inventory	<u>2,665</u>
Total Current Assets	<u>\$ 1,548,254</u>
Noncurrent Assets	
Capital Assets	
Land	\$ 160,000
Buildings & Improvements	5,419,248
Furniture & Equipment	716,883
Vehicles	627,471
Less: Accumulated Depreciation	<u>(2,599,517)</u>
Total Noncurrent Assets	<u>\$ 4,324,085</u>
Total Assets	<u>\$ 5,872,339</u>

LIABILITIES

Current Liabilities	
Accounts Payable	\$ 184,524
Salaries & Benefits Payable	351,582
Interest Payable	6,754
Notes Payable	398,277
Unearned Revenue	2,197
Current Portion of Long-Term Debt	<u>121,547</u>
Total Current Liabilities	<u>\$ 1,064,881</u>
Noncurrent Liabilities	
Bonds & Installment Loans Payable (less current portion)	\$ 30,000
Compensated Absences and Retirement Buyouts (less current portion)	<u>148,266</u>
Total Noncurrent Liabilities	<u>\$ 178,266</u>
Total Liabilities	<u>\$ 1,243,147</u>

NET POSITION

Invested in Capital Assets, Net of Related Debt	\$ 4,181,212
Restricted for:	
Food Service	117,450
Capital Projects	544,040
Debt Service	0
Unrestricted	<u>(213,510)</u>
Total Net Position	<u>\$ 4,629,192</u>

See accompanying notes to the basic financial statements.

CAMDEN-FRONTIER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Instruction					
Basic Programs					
Elementary School	\$ 1,850,544	\$ 0	\$ 73,096	\$ 0	\$(1,777,448)
High School	656,073	0	7,350	0	(648,723)
Saturday School	16,462	0	0	0	(16,462)
Added Needs					
Special Education	293,285	0	0	0	(293,285)
Compensatory Education	406,474	0	311,432	0	(95,042)
Career & Technical Education	76,847	0	0	0	(76,847)
Support Services					
Pupil Services	51,326	0	0	0	(51,326)
Instructional Staff	128,176	0	0	0	(128,176)
School Administration	217,224	0	0	0	(217,224)
General Administration	98,857	0	0	0	(98,857)
Business Services	106,489	0	0	0	(106,489)
Operation & Maintenance	440,862	0	0	0	(440,862)
Transportation	387,594	0	0	0	(387,594)
Central Services	14,233	0	0	0	(14,233)
Athletic Activities	98,573	15,955	0	0	(82,618)
Community Services	1,186	0	0	0	(1,186)
Food Service	269,984	67,973	221,586	0	19,575
Depreciation - Unallocated ¹	171,717	0	0	0	(171,717)
Interest on Long-Term Debt	5,028	0	0	0	(5,028)
Total Governmental Activities	\$ 5,290,934	\$ 83,928	\$ 613,464	\$ 0	\$(4,593,542)

General Revenues:

Property Tax, levied for general purposes	\$ 661,359
Property Tax, levied for buildings & site	421,479
State School Aid	3,534,515
Unrestricted investment earnings	1,477
Miscellaneous	29,334
Total General Revenues	\$ 4,648,164
Change in Net Position	\$ 54,622
Net Position - Beginning	4,574,570
Net Position - Ending	\$ 4,629,192

¹ 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, 2014

	<u>General Fund</u>	<u>Sinking Fund</u>	<u>Food Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash	\$ 23,632	\$ 543,753	\$ 174,989	\$ 0	\$ 742,374
Investments	77,984	0	0	0	77,984
Accounts Receivable	11,348	287	0	0	11,635
Due from Other Funds	62,952	0	0	0	62,952
Due from Other Governmental Units	701,250	0	12,346	0	713,596
Inventory	<u>0</u>	<u>0</u>	<u>2,665</u>	<u>0</u>	<u>2,665</u>
Total Assets	<u>\$ 877,166</u>	<u>\$ 544,040</u>	<u>\$ 190,000</u>	<u>\$ 0</u>	<u>\$ 1,611,206</u>
LIABILITIES					
Accounts Payable	\$ 184,524	\$ 0	\$ 0	\$ 0	\$ 184,524
Due to Other Funds	0	0	62,952	0	62,952
Interest Payable	5,428	0	0	0	5,428
Salaries & Benefits Payable	344,181	0	7,401	0	351,582
Notes Payable	398,277	0	0	0	398,277
Unearned Revenue	<u>0</u>	<u>0</u>	<u>2,197</u>	<u>0</u>	<u>2,197</u>
Total Liabilities	<u>\$ 932,410</u>	<u>\$ 0</u>	<u>\$ 72,550</u>	<u>\$ 0</u>	<u>\$ 1,004,960</u>
FUND BALANCES					
Nonspendable	\$ 0	\$ 0	\$ 2,665	\$ 0	\$ 2,665
Restricted	0	544,040	114,785	0	658,825
Committed	0	0	0	0	0
Assigned	0	0	0	0	0
Unassigned	<u>(55,244)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(55,244)</u>
Total Fund Balances	<u>\$ (55,244)</u>	<u>\$ 544,040</u>	<u>\$ 117,450</u>	<u>\$ 0</u>	<u>\$ 606,246</u>
Total Liabilities and Fund Balances	<u>\$ 877,166</u>	<u>\$ 544,040</u>	<u>\$ 190,000</u>	<u>\$ 0</u>	<u>\$ 1,611,206</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, 2014

Fund Balances - total governmental funds \$ 606,246

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	6,923,602
Deduct: Accumulated depreciation	(2,599,517)

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	(141,547)
Deduct: Accrued interest on bonds and notes payable	(1,326)
Deduct: Compensated absences payable and retirement buyouts payable	<u>(158,266)</u>

Net position of governmental activities \$ 4,629,192

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, 2014

	<u>General Fund</u>	<u>Sinking Fund</u>	<u>Food Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUE					
Local Sources					
Property Taxes	\$ 661,359	\$ 421,479	\$ 0	\$ 0	\$ 1,082,838
Other Local Revenue	49,019	502	69,707	0	119,228
State Sources	3,534,515	0	10,607	0	3,545,122
Federal Sources	<u>387,389</u>	<u>0</u>	<u>210,979</u>	<u>0</u>	<u>598,368</u>
Total Revenue	<u>\$ 4,632,282</u>	<u>\$ 421,981</u>	<u>\$ 291,293</u>	<u>\$ 0</u>	<u>\$ 5,345,556</u>
EXPENDITURES					
Instruction					
Basic Programs					
Elementary	\$ 1,836,537	\$ 0	\$ 0	\$ 0	\$ 1,836,537
High School	656,073	0	0	0	656,073
Saturday School	16,462	0	0	0	16,462
Added Needs					
Special Education	293,285	0	0	0	293,285
Compensatory Education	406,474	0	0	0	406,474
Career & Technical Education	76,847	0	0	0	76,847
Support Services					
Pupil Services	51,195	0	0	0	51,195
Instructional Staff	127,190	0	0	0	127,190
General Administration	98,857	0	0	0	98,857
School Administration	216,010	0	0	0	216,010
Business Services	106,489	0	0	0	106,489
Operation & Maintenance	411,971	0	0	0	411,971
Pupil Transportation	339,566	0	0	0	339,566

CAMDEN-FRONTIER SCHOOL
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	<u>General Fund</u>	<u>Sinking Fund</u>	<u>Food Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Central Services	14,233	0	0	0	14,233
Athletic Activities	98,573	0	0	0	98,573
Community Services	1,186	0	0	0	1,186
Food Service	0	0	252,616	0	252,616
Debt Service	0	0		17,550	17,550
Capital Outlay – Nondepreciable	0	15,595	0	0	15,595
Capital Outlay	<u>0</u>	<u>292,437</u>	<u>0</u>	<u>0</u>	<u>292,437</u>
Total Expenditures	<u>\$ 4,750,948</u>	<u>\$ 308,032</u>	<u>\$ 252,616</u>	<u>\$ 17,550</u>	<u>\$ 5,329,146</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (118,666)</u>	<u>\$ 113,949</u>	<u>\$ 38,677</u>	<u>\$ (17,550)</u>	<u>\$ 16,410</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	\$ 7,685	\$ 0	\$ 0	\$ 17,550	\$ 25,235
Transfers Out	(17,550)	0	(7,685)	0	(25,235)
Other Uses	<u>(97,964)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(97,964)</u>
Total Other Financing Sources (Uses)	<u>\$ (107,829)</u>	<u>\$ 0</u>	<u>\$ (7,685)</u>	<u>\$ 17,550</u>	<u>\$ (97,964)</u>
REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (226,495)</u>	<u>\$ 113,949</u>	<u>\$ 30,992</u>	<u>\$ 0</u>	<u>\$ (81,554)</u>
FUND BALANCES - Beginning	<u>171,251</u>	<u>430,091</u>	<u>86,458</u>	<u>0</u>	<u>687,800</u>
FUND BALANCES - Ending	<u>\$ (55,244)</u>	<u>\$ 544,040</u>	<u>\$ 117,450</u>	<u>\$ 0</u>	<u>\$ 606,246</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, 2014

Net changes in fund balances - total governmental funds \$ (81,554)

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	292,437
Deduct: Depreciation expense	(216,960)

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	0
Add: Principal payments on long-term debt	109,654

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.

Add: Decrease in interest payable on long-term liabilities	832
Deduct: Increase in accrual for compensated absences and retirement buyouts	<u>(49,787)</u>

Change in net position of governmental activities \$ 54,622

The accompanying notes are an integral part of this statement.

CAMDEN-FRONTIER SCHOOL
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2014

ASSETS

Cash	<u>\$ 93,180</u>
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LIABILITIES

Due to Student Groups	<u>\$ 93,180</u>
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The accompanying notes are an integral part of this statement.

CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Camden-Frontier School is a K-12 public school district with an enrollment of approximately 538 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, 2014

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.

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).

Additionally, the School District reports the following fund types:

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.

CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014, investments were limited to a cash management account managed by Southern Michigan Bank & Trust. Investments in this account are stated at cost which equals market value.

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. The District has no items that qualify for reporting in this category.

CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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.

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.

CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 which were 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	\$ 2,455,274	\$ 2,509,072	\$ 53,798
General Fund	Added Needs	759,501	776,606	17,105
General Fund	Pupil Services	50,278	51,195	917
General Fund	General Administration	97,993	98,857	864
General Fund	School Administration	209,276	216,010	6,734
General Fund	Business Services	99,205	106,489	7,284
General Fund	Operation & Maintenance	404,973	411,971	6,998
General Fund	Pupil Transportation	328,795	339,566	10,771
General Fund	Central Services	0	14,233	14,233
General Fund	Athletic Activities	98,127	98,573	446
Food Service Fund	Employee Benefits	13,025	15,018	1,993

CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 2- STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

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.

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, 2014, 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.

For investment purposes, the District uses a money market account with Southern Michigan Bank & Trust. This account is not rated by any nationally recognized statistical rating organization. All investments are in accordance with the Michigan School Code.

The District's deposits and investments at June 30, 2014, are as follows:

	Governmental Activities	Fiduciary Funds	Total Government
Deposits	\$ 742,374	\$ 93,180	\$ 835,554
Investments	<u>77,984</u>	<u>0</u>	<u>77,984</u>
Total	<u>\$ 820,358</u>	<u>\$ 93,180</u>	<u>\$ 913,538</u>

The District's deposits and investments 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.

CAMDEN-FRONTIER SCHOOL
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

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, 2014, \$735,849 of the District's bank balance of \$985,849 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.

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, 2014, 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	\$ 644,157
Federal grants	57,093
Property taxes	452
Other	<u>10,896</u>
	<u>\$ 712,598</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, the various components of unearned revenue are as follows:

	<u>Unearned</u>
Unearned Revenue:	
Food Service Fund	<u>\$ 2,197</u>

CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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>
Nonspendable:			
Inventory	\$ 0	\$ 0	\$ 2,665
Restricted:			
Capital Outlay	0	544,040	0
Food Service	<u>0</u>	<u>0</u>	<u>114,785</u>
	<u>\$ 0</u>	<u>\$ 544,040</u>	<u>\$ 117,450</u>

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, 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>
Capital assets being depreciated				
Buildings & Improvements	\$ 5,221,811	\$ 292,437	\$ (95,000)	\$ 5,419,248
Furniture & Equipment	716,883	0	0	716,883
Vehicles	<u>664,967</u>	<u>0</u>	<u>(37,496)</u>	<u>627,471</u>
Subtotal	<u>\$ 6,603,661</u>	<u>\$ 292,437</u>	<u>\$ (132,496)</u>	<u>\$ 6,763,602</u>
Less accumulated depreciation for				
Buildings & Improvements	\$(1,711,913)	\$ (106,437)	\$ 95,000	\$(1,723,350)
Furniture & Equipment	(373,726)	(65,280)	0	(439,006)
Vehicles	<u>(429,414)</u>	<u>(45,243)</u>	<u>37,496</u>	<u>(437,161)</u>
Subtotal	<u>\$(2,515,053)</u>	<u>\$ (216,960)</u>	<u>\$ 132,496</u>	<u>\$(2,599,517)</u>
Total capital assets being depreciated, net	<u>\$ 4,088,608</u>	<u>\$ 75,477</u>	<u>\$ 0</u>	<u>\$ 4,164,085</u>
Total capital assets, net	<u>\$ 4,248,608</u>	<u>\$ 75,477</u>	<u>\$ 0</u>	<u>\$ 4,324,085</u>

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

Support services	
Pupil Transportation	\$ 45,243
Unallocated	<u>171,717</u>
	<u>\$ 216,960</u>

CAMDEN-FRONTIER SCHOOL
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances at June 30, 2014, is as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	\$ <u>62,952</u>	Food Service Fund	\$ <u>62,952</u>

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.

Interfund transfers during the year consisted of the following:

Transfer from General Fund to 2002 Debt Retirement Fund	\$ 17,550
Transfer from Food Service to General Fund	7,685

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.

NOTE 8 - SHORT-TERM DEBT

At June 30, 2014, the District had a note payable outstanding of \$398,277. The note had an interest rate of 1.414% and a maturity date of August 20, 2014. The note was secured by the full faith and credit of the District as well as pledged state aid.

The following table outlines the District's short-term debt activity for the year ended June 30, 2014:

<u>Balance</u>			<u>Balance</u>
<u>June 30, 2013</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2014</u>
\$ <u>397,600</u>	\$ <u>1,000,000</u>	\$ <u>(999,323)</u>	\$ <u>398,277</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, 2014, was \$45,000. These bonds mature on May 1, 2017.

Installment Loans

The District has financed the purchase of three school buses and 122 desktop computers through installment purchase agreements with local banks.

CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 9 - LONG-TERM DEBT (continued)

Long-term debt activity is summarized as follows:

	<u>Balance</u> <u>6-30-13</u>	<u>Increases</u>	<u>Payments/ Reductions</u>	<u>Balance</u> <u>6-30-14</u>
General Obligation Bonds				
2002 Building and Site Bonds	\$ 60,000	\$ 0	\$ (15,000)	\$ 45,000
Installment Purchase Agreements				
School Bus Loan	14,118	0	(14,118)	0
School Bus Loan	72,087	0	(28,834)	43,253
School Bus Loan	73,108	0	(24,369)	48,739
Computer Loan	31,888	0	(27,333)	4,555
Retirement Buyouts	0	25,000	(10,000)	15,000
Compensated Absences	<u>108,479</u>	<u>34,787</u>	<u>0</u>	<u>143,266</u>
	<u>\$ 359,680</u>	<u>\$ 59,787</u>	<u>\$(119,654)</u>	<u>\$ 299,813</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
School Bus Loan	2.75%	7/23/15	43,253
School Bus Loan	1.4%	9/15/15	48,739
Computer Loan	1.75%	8/23/14	4,555
Retirement Buyout	n/a		<u>10,000</u>
			<u>\$ 121,547</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>
2015	\$ 82,759	\$ 3,596
2016	58,788	1,815
2017	<u>15,000</u>	<u>638</u>
Total	<u>\$ 156,547</u>	<u>\$ 6,049</u>

The annual requirements to amortize compensated absences are not included above because it is unknown when they will actually be paid.

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.

CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 10 - COMPENSATED ABSENCES (continued)

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.

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 ¾ of the accumulated leave days at their pay rate at the time of resignation.

Newly-hired non-union personnel are granted 10 sick days and 4 personal days per year, and a maximum of 75 sick days and 5 personal days may be accumulated. Upon separation of employment, the employee will be paid for ½ of the accumulated days at their pay rate at the time of separation. Non-union personnel hired prior to July 1, 2010 may accumulate a maximum of 160 sick days and 6 personal days. Payment at separation will be ½ of the accumulated days at the current rate of substitute teacher pay.

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 2013 was 18.0 mills on non-homestead valuation for operational purposes and 3.50 mills on total valuation for the sinking fund. The 2013 taxable valuation of the District totaled approximately \$120,460,000.

NOTE 12 - DEFINED BENEFIT PENSION PLAN

Plan Description

The District participates in the statewide Michigan Public School Employees' Retirement System (System) which 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 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.

The System's financial statements are included as a pension and other employee benefit trust fund in the State of Michigan Comprehensive Annual Financial Report. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111. It is also available at <http://www.michigan.gov/orsschools>.

CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 12 - DEFINED BENEFIT PENSION PLAN (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 who serves as Executive Secretary to the System's Board, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

Benefit Provisions – Pension

Introduction

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 hybrid 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 received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Pension Reform 2010

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

Pension Reform 2013

On September 4, 2013, the Governor signed Public Act 300 of 2013 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2013, or were on an approved professional service or military leave of absence on September 3, 2013, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's *transition date*, which is defined as that first day of the pay period that begins on or after December 1, 2012, subsequently amended to February 1, 2013. Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

Option 1 – members voluntarily elected to increase their contributions to the pension fund as noted below, and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they terminate public school employment.

- Basic Plan members: 4% contribution
- MIP- Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 12 - DEFINED BENEFIT PENSION PLAN (continued)

Option 2 – members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic Plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

Option 3 – members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of any service thereafter will include a 1.25% pension factor.

Option 4 – members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to a tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401 (k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and Final Average Compensation as of the day before their transition date and 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2013, who return to public school employment on or after September 4, 2013, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

Employees who first work on or after September 4, 2013, choose between two retirement plans: the Pension Plus hybrid plan described above and a Defined Contribution (DC) plan that provides 50% employer match (up to 3% of salary) on employee contributions. New employees are automatically enrolled as members in the Pension Plus plan as of their date of hire. They have 75 days from the last day of their first pay period to elect to opt out of the Pension Plus hybrid plan and become a qualified participant in the DC plan; if no election is made they will remain in the Pension Plus hybrid plan. If they elect to opt out of the Pension Plus hybrid plan, their participation in the DC plan will be retroactive to their date of hire.

Funding Policy

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,

CAMDEN-FRONTIER SCHOOL
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014

NOTE 12 - DEFINED BENEFIT PENSION PLAN (continued)

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.

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 2013, 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, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. For the period October 1 through September 30, the School District pays an amount equal to a percentage of its employees' wages to the Michigan Public School Employees Retirement System ("MPERS"), which is administered by the State of Michigan. These contributions are required by law and are calculated by using the contribution rates and periods provided in the table below of the employees' wages. In addition, the District is required to match 50% up to 1% of the employee's contribution in the Pension Plus plan. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS were equal to the required contribution for those years.

The School District's contributions to MPERS and contribution rates are as follows:

Fiscal Year Ending <u>June 30</u>	Contributions <u>to MPERS</u>
2014	\$ 633,251
2013	645,338
2012	616,716

Included in the amounts paid above, the District received \$129,642 in 2013-14 and \$49,998 in 2012-13 of section 147(c) State Aid for the sole purpose of making supplemental payments to MPERS. The District recorded these amounts as state revenue and additional pension expenditures/expenses.

CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 12 - DEFINED BENEFIT PENSION PLAN (continued)

PA 464 Retirees Returning to Work, effective December 27, 2013 also requires applicable employer contributions to the defined benefit and defined contribution plans. These amounts if any are included in the amounts paid above.

Benefit Provisions - Other Postemployment

Introduction

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2013, is currently funded on a cash disbursement basis. Beginning fiscal year 2013, it will be funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members), have a graded premium subsidy based on career length where they accrue credit toward their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2013 sets the maximum subsidy of 80% beginning January 1, 2014; 90% for those Medicare eligible and enrolled in the insurances as of that date.

Public Act 75 of 2010 requires each actively employed member of MPSERS after June 30, 2010 to annually contribute 3% of their compensation to offset employer contributions for health care benefits of current retirees. Dependents are eligible for health care coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Retiree Healthcare Reform of 2013

Public Act 300 of 2013 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2013, or were on an approved professional services or military leave of absence on September 3, 2013, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's *transition date*, which is defined as the first day of the pay period that begins on or after December 1, 2013.

Under Public Act 300 of 2013, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above, or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions will be deposited into their 401 (k) accounts.

Members who did not make an election before the deadline retain the subsidy benefit and continue making the 3% contribution toward retiree healthcare. Deferred or nonvested members on September 3, 2013 who are rehired on or after September 4, 2013, will contribute 3% contribution to retiree healthcare election will retain whichever option they chose.

CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 12 - DEFINED BENEFIT PENSION PLAN (continued)

Those who elected to retain the premium subsidy continue to annually contribute 3% of compensation into the health care funding account. A member or former member age 60 or older, who made the 3% healthcare contributions but who does not meet eligibility requirements may request a refund of their contributions. Similarly, if a retiree dies before the total value of the insurance subsidy paid equals the total value of the contributions the member made, and there are no eligible dependents, the beneficiary may request a refund of unused funds. Refunds of member contributions to the healthcare funding account are issued as a supplemental benefit paid out over a 60 month period.

1. Retirees with at least 21 years of service, who terminate employment after October 31, 1980, with vested deferred benefits, are eligible for subsidized employer paid health benefit coverage.
2. A delayed subsidy applies to retirees who became a member of the retirement system before July 1, 2008 and who purchased service credit on or after July 1, 2008. Such individuals are eligible for premium subsidy benefits at age 60 or when they would have been eligible to retire without having made a service purchase, whichever comes first. They may enroll in the insurances earlier, but are responsible for the full premium until the premium subsidy begins.

Under Public Act 300 of 2013, the state no longer offers an insurance premium subsidy in retirement for public school employees who first work on or after September 4, 2013. Instead, all new employees will be placed into the Personal Healthcare Fund where they will have support saving for retirement healthcare costs in the following ways:

- They will be automatically enrolled in a 2% employee contribution into a 457 account as of their date of hire, earning them a 2% employer match into a 401 (k) account.
- They will receive a credit into a Health Reimbursement Account (HRA) at termination if they have at least 10 years of service at termination. The credit will be \$2,000 for participants who are at least 60 years of age at termination or \$1,000 for participants who are less than 60 years of age at termination.

Participants in the Personal Healthcare Fund, who become disabled for any reason, are not eligible for any employer funded health insurance premium subsidy. If a PHF participant suffers a non-duty related death, his or her health benefit dependents are not eligible to participate in any employer funded health insurance premium subsidy. If a PHF participant suffers a duty death, the state will pay the maximum health premium allowed by statute for the surviving spouse and health benefit dependents. The spouses' insurance subsidy may continue until his or her death, the dependents' subsidy may continue until their eligibility ends (through marriage, age, or other event). Upon eligibility for a duty death benefit, the 2% employer matching contributions and related earnings in the PHF 401 (k) are forfeited and the state will pay for the subsidy payments. The beneficiaries receive the member's personal contributions and related earnings in the PHF 457 account.

CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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, 2014 meeting, the Board took the following actions:

- Approved borrowing up to \$1,300,000, in anticipation of State Aid for the 2014-2015 year.
- Approved the purchase of two new buses from Midwest Transit for \$159,560 to be paid for with \$190,000 in general obligation bonds issued in September, 2014. The bonds will be repaid through a .30 mill tax levy approved by the voters in May, 2014
- Approved a voluntary severance plan establishing payment of \$15,000 to participating employees. Four teachers signed up for this plan.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 9, 2014, the date on which the financial statements were available to be issued.

NOTE 17 – UPCOMING ACCOUNTING PRONOUNCEMENT

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was issued by the GASB in June, 2013 and will be effective for the District's 2015 fiscal year. The Statement requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. Statement 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The Statement also will improve the comparability and consistency of how governments calculate the pension liabilities and expense.

CAMDEN-FRONTIER SCHOOL
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Budget Amounts			Actual
	Original	Final	Actual	Over (Under) Final Budget
REVENUE				
Local Sources	\$ 665,538	\$ 701,930	\$ 710,378	\$ 8,448
State Sources	3,476,074	3,534,515	3,534,515	0
Federal Sources	342,771	380,038	387,389	7,351
Total Revenue	\$ 4,484,383	\$ 4,616,483	\$ 4,632,282	\$ 15,799
EXPENDITURES				
Instruction				
Basic Programs	\$ 2,334,152	\$ 2,455,274	\$ 2,509,072	\$ 53,798
Added Needs	714,170	759,501	776,606	17,105
Support Services				
Pupil Services	63,160	50,278	51,195	917
Instructional Staff	130,809	139,023	127,190	(11,833)
General Administration	84,235	97,993	98,857	864
School Administration	208,332	209,276	216,010	6,734
Business Services	110,115	99,205	106,489	7,284
Operation & Maintenance	391,401	404,973	411,971	6,998
Pupil Transportation	308,728	328,795	339,566	10,771
Central Services	0	0	14,233	14,233
Athletic Activities	94,959	98,127	98,573	446
Community Services	1,475	1,186	1,186	0
Capital Outlay	0	0	0	0
Total Expenditures	\$ 4,441,536	\$ 4,643,631	\$ 4,750,948	\$ 107,317
REVENUE OVER (UNDER) EXPENDITURES	\$ 42,847	\$ (27,148)	\$ (118,666)	\$ (91,518)
OTHER FINANCING SOURCES (USES)				
Operating Transfers in	\$ 0	\$ 0	\$ 7,685	\$ 7,685
Operating Transfers out	0	0	(17,550)	(17,550)
Other Sources	5,000	0	0	0
Other Uses	(84,020)	(114,239)	(97,964)	16,275
Total Other Financing Sources (Uses)	\$ (79,020)	\$ (114,239)	\$ (107,829)	\$ 6,410
REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (36,173)	\$ (141,387)	\$ (226,495)	\$ (85,108)
FUND BALANCES - Beginning	211,235	184,226	171,251	(12,975)
FUND BALANCES - Ending	\$ 175,062	\$ 42,839	\$ (55,244)	\$ (98,083)

The accompanying notes are an integral part of this statement.

CAMDEN-FRONTIER SCHOOL
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
SINKING FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budget Amounts</u>		<u>Actual</u>	Actual
	<u>Original</u>	<u>Final</u>		Over (Under)
				<u>Final Budget</u>
REVENUE				
Property Taxes	\$ 415,205	\$ 415,205	\$ 421,479	\$ 6,274
Interest Income	<u>0</u>	<u>0</u>	<u>502</u>	<u>502</u>
Total Revenue	<u>\$ 415,205</u>	<u>\$ 415,205</u>	<u>\$ 421,981</u>	<u>\$ 6,776</u>
EXPENDITURES				
Capital Outlay - Nondepreciable	\$ 334,000	\$ 334,000	\$ 292,437	\$ (41,563)
Capital Outlay - Depreciable	<u>16,000</u>	<u>16,000</u>	<u>15,595</u>	<u>(405)</u>
Total Expenditures	<u>\$ 350,000</u>	<u>\$ 350,000</u>	<u>\$ 308,032</u>	<u>\$ (41,968)</u>
REVENUE OVER (UNDER)				
EXPENDITURES	\$ 65,205	\$ 65,205	\$ 113,949	\$ 48,744
FUND BALANCES - Beginning	<u>382,182</u>	<u>382,182</u>	<u>430,091</u>	<u>47,909</u>
FUND BALANCES - Ending	<u>\$ 447,387</u>	<u>\$ 447,387</u>	<u>\$ 544,040</u>	<u>\$ 96,653</u>

The accompanying notes are an integral part of this statement.

CAMDEN-FRONTIER SCHOOL
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOOD SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Budget Amounts</u>		<u>Actual</u>	Actual
	<u>Original</u>	<u>Final</u>		Over (Under)
				<u>Final Budget</u>
REVENUE				
Food Service Sales	\$ 67,000	\$ 67,629	\$ 67,973	\$ 344
State School Aid	9,750	12,253	10,607	(1,646)
Federal National School Lunch	200,000	197,847	210,979	13,132
Interest Income	25	0	90	90
Miscellaneous Income	0	0	1,644	1,644
Total Revenue	<u>\$ 276,775</u>	<u>\$ 277,729</u>	<u>\$ 291,293</u>	<u>\$ 13,564</u>
EXPENDITURES				
Salaries & Wages	\$ 52,819	\$ 41,252	\$ 41,252	\$ 0
Employee Benefits	12,408	13,025	15,018	1,993
Purchased Services	32,800	34,557	34,557	0
Supplies & Materials	158,100	157,952	157,889	(63)
Other	18,950	4,357	3,900	(457)
Total Expenditures	<u>\$ 275,077</u>	<u>\$ 251,143</u>	<u>\$ 252,616</u>	<u>\$ 1,473</u>
REVENUE OVER (UNDER)				
EXPENDITURES	\$ 1,698	\$ 26,586	\$ 38,677	\$ 12,091
OTHER FINANCING SOURCES (USES)				
Operating Transfers out	<u>0</u>	<u>0</u>	<u>(7,685)</u>	<u>(7,685)</u>
REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ 1,698	\$ 26,586	\$ 30,922	\$ 4,406
FUND BALANCES - Beginning	<u>62,829</u>	<u>73,483</u>	<u>86,458</u>	<u>12,975</u>
FUND BALANCES - Ending	<u>\$ 64,527</u>	<u>\$ 100,069</u>	<u>\$ 117,450</u>	<u>\$ 17,381</u>

The accompanying notes are an integral part of this statement.

CAMDEN-FRONTIER SCHOOL
BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Debt <u>Retirement</u> 2002 <u>Building &</u> <u>Site Bonds</u>
ASSETS	
Cash	\$ 0
Due from Other Funds	0
Inventory	<u>0</u>
Total Asset	<u>\$ 0</u>
LIABILITIES	
Salaries & Benefits Payable	\$ 0
Unearned Revenue	<u>0</u>
Total Liabilities	<u>\$ 0</u>
FUND BALANCE	
Nonspendable	\$ 0
Restricted	0
Committed	0
Assigned	0
Unassigned	<u>0</u>
Total Fund Balances	<u>\$ 0</u>
Total Liabilities and Fund Balances	<u>\$ 0</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, 2014

	Debt <u>Retirement</u> 2002 <u>Building & Site Bonds</u>
REVENUE	
Food Service Sales	\$ 0
State School Aid	0
Federal National School Lunch Program	0
Restricted State Aid	0
Miscellaneous Income	<u>0</u>
Total Revenue	<u>\$ 0</u>
EXPENDITURES	
Salaries & Wages	\$ 0
Employee Benefits	0
Purchased Services	0
Supplies & Materials	0
Capital Outlay	0
Other	0
Redemption of Principal	15,000
Interest on Debt	<u>2,550</u>
Total Expenditures	<u>\$ 17,550</u>
Excess of Revenue Over (Under) Expenditures	<u>\$ (17,550)</u>
OTHER FINANCING SOURCES (USES)	
Transfers In	\$ 17,550
Transfers Out	<u>0</u>
Total Other Financing Sources (Uses)	<u>\$ 17,550</u>
Net Change in Fund Balances	\$ 0
FUND BALANCES - Beginning	<u>0</u>
FUND BALANCES - Ending	<u><u>\$ 0</u></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, 2014

Federal Grantor Pass-Through Grantor Program Title - Grant Number	Federal CFDA Number	Pass-through Grantor's Number	Award Amount	Accrued or (Deferred) Revenue 7/1/13	(Memo Only) Prior Year Expenditures	Current Year Receipts	Current Year Expenditures	Accrued (Deferred) Revenue 6/30/14
U.S. Department of Agriculture:								
Passed through Michigan Department of Education:								
Child Nutrition Cluster:								
Non-cash assistance (commodities):								
National School Lunch Program	10.555		\$ 14,029	\$ 0	\$ 0	\$ 14,029	\$ 14,029	\$ 0
Cash assistance:								
School Breakfast Program	10.553	131970	\$ 8,152	\$ 0	\$ 0	\$ 8,152	\$ 8,152	\$ 0
		141970	61,738	0	0	61,738	61,738	0
			<u>\$ 69,890</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 69,890</u>	<u>\$ 69,890</u>	<u>\$ 0</u>
National School Lunch	10.555	131960	\$ 27,460	\$ 0	\$ 0	\$ 27,460	\$ 27,460	\$ 0
		141960	99,600	0	0	99,600	99,600	0
			<u>\$ 127,060</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 127,060</u>	<u>\$ 127,060</u>	<u>\$ 0</u>
Total U.S. Department of Agriculture			<u>\$ 210,979</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 210,979</u>	<u>\$ 210,979</u>	<u>\$ 0</u>
U.S. Department of Education:								
Direct programs:								
Title VI – Rural Education	84.358A	3358A12631	\$ 12,165	\$ 0	\$ 0	\$ 4,028	\$ 12,165	\$ 8,137
Passed through Michigan Department of Education:								
Title I Part A – Improving Basic Programs	84.010	131530/1213	\$ 361,265	\$ 50,608	\$ 339,831	\$ 50,972	\$ 364	\$ 0
		141530/1314	315,962	0	0	270,321	311,068	40,747
			<u>\$ 677,227</u>	<u>\$ 50,608</u>	<u>\$ 339,831</u>	<u>\$ 321,293</u>	<u>\$ 311,432</u>	<u>\$ 40,747</u>
Title II Part A – Teacher/principal Training and Recruiting	84.367	130520/1213	\$ 61,563	\$ 9,050	\$ 57,099	\$ 9,169	\$ 119	\$ 0
		140520/1314	55,322	0	0	47,113	55,322	8,209
			<u>\$ 116,885</u>	<u>\$ 9,050</u>	<u>\$ 57,099</u>	<u>\$ 56,282</u>	<u>\$ 55,441</u>	<u>\$ 8,209</u>

CAMDEN-FRONTIER SCHOOL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014
(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>7/1/13</u>	(Memo Only) Prior Year <u>Expenditures</u>	Current Year <u>Receipts</u>	Current Year <u>Expenditures</u>	Accrued (Deferred) Revenue <u>6/30/14</u>
U.S. Department of Education (continued):								
Passed through Lenawee County Intermediate School District:								
Title II Part B –Mathematics and Science	84.366B		<u>\$ 7,350</u>	<u>\$ 400</u>	<u>\$ 400</u>	<u>\$ 7,750</u>	<u>\$ 7,350</u>	<u>\$ 0</u>
Passed Through Hillsdale County Intermediate School District:								
Medical Assistance Program	93.778		<u>\$ 1,001</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,001</u>	<u>\$ 1,001</u>	<u>\$ 0</u>
Total U.S. Department of Education			<u>\$ 814,628</u>	<u>\$ 60,058</u>	<u>\$ 397,330</u>	<u>\$ 390,354</u>	<u>\$ 387,389</u>	<u>\$ 57,093</u>
Total Federal Financial Assistance			<u>\$ 1,025,607</u>	<u>\$ 60,058</u>	<u>\$ 397,330</u>	<u>\$ 601,333</u>	<u>\$ 598,368</u>	<u>\$ 57,093</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 52% 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, 2014, 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 9, 2014.

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 deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness (Finding 2014-1).

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 2014-2 – Finding 2014-3).

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 9, 2014

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, 2014. 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, 2014.

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 9, 2014

CAMDEN-FRONTIER SCHOOL
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 JUNE 30, 2014

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
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Major Programs

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	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
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CAMDEN-FRONTIER SCHOOL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014

SECTION II – FINANCIAL STATEMENT FINDINGS

INTERNAL CONTROL ISSUES

Finding 2014-1 – 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 2014-2 – 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, 2014

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 2014-3 – 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, 2014, 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: As recommended when the issue was discovered, the District has communicated this issue with the Michigan Department of Education and is in the process of implementing a deficit reduction plan.

View of Responsible Officials and Planned Corrective Action: The District is in agreement with our recommendation and is implementing the deficit reduction plan.

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.