

Bailey, Hodshire & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2016, 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, 2016, and the respective changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension information on pages 4 through 7 and pages 32 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 nonmajor fund financial statements 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 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 11, 2016, 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 11, 2016

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, 2016. The management's discussion and analysis is provided at the beginning of the audit to provide, in layman's terms, the past and current position of the school district's financial condition. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplemental information that presents all the School District's revenues and expenditures by program for the General Fund, Food Service Fund, Sinking Fund, and Debt Retirement Funds.

Using This Annual Report

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

Reporting the School District as a Whole

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

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

Reporting the School District's Most Significant Funds

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

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

The School District as Trustee

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

The School District as a Whole

The School District's net position was \$(1,147,320) at June 30, 2016, an increase of 31% from the prior year. Of this amount, there is an unrestricted deficit balance of \$(6,441,342). 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

ASSETS	2015	2016
Current Assets	\$ 1,674,354	\$ 2,557,088
Capital Assets	4,483,762	4,348,409
Total Assets	<u>\$ 6,158,116</u>	<u>\$ 6,905,497</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension	\$ 702,382	\$ 696,865
LIABILITIES		
Current Liabilities	\$ 891,803	\$ 1,326,398
Long-term Liabilities:		
Due within one year	112,261	68,472
Due in more than one year:		
Net pension liability	6,553,997	6,901,062
Other amounts	238,858	151,198
Total Liabilities	<u>\$ 7,796,919</u>	<u>\$ 8,447,130</u>
DEFERRED INFLOWS OF RESOURCES		
Pension	\$ 724,547	\$ 302,552
NET POSITION		
Invested in Capital Assets - Net of Related Debt	\$ 4,266,765	\$ 4,238,000
Restricted	864,944	1,056,022
Unrestricted	(6,792,677)	(6,441,342)
Total Net Position	<u>\$ (1,660,968)</u>	<u>\$ (1,147,320)</u>

The \$(1,147,320) deficit in unrestricted net position represents the accumulated results of all past years' operations. This deficit results from liabilities and deferred inflows of resources in excess of assets and deferred outflows of resources as of June 30, 2016.

TABLE 2 - CHANGES IN NET POSITION

	2015	2016
Program Revenue		
Charges for Services	\$ 85,573	\$ 84,860
Operating Grants and Contributions	564,149	591,947
Capital Grants and Contributions	0	5,550
General Revenue		
Property Taxes	1,212,770	1,107,119
State Aid	3,495,488	3,564,480
Other	29,193	46,947
Total Revenue	<u>\$ 5,387,173</u>	<u>\$ 5,400,903</u>
Expenses		
Instruction	\$ 3,108,718	\$ 2,931,873
Support Services	1,568,875	1,446,225
Food Services	308,909	302,957
Depreciation - Unallocated	188,635	201,894
Interest on Long-Term Obligations	7,186	4,306
Total Expenses	<u>\$ 5,182,323</u>	<u>\$ 4,887,255</u>
INCREASE (DECREASE) IN NET POSITION	<u>\$ 204,850</u>	<u>\$ 513,648</u>

As shown above, the cost of all of our governmental activities this year was \$4,887,255. However, the amount that our taxpayers ultimately financed for these activities through School property taxes was only \$1,107,119 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, 2016, the School District amended the General Fund budget four times.

General Fund

For the General Fund, actual revenue was \$4,678,433, which is above the original budget estimate of \$4,378,956, and below the final amended budget of \$4,691,723.

The actual expenditures of the General Fund were \$4,355,605, which is above the original budget estimate of \$4,191,286, and below the final amended budget of \$4,356,916.

The General Fund ended the year with a fund balance of \$177,694.

Capital Asset and Debt Administration

At the end of fiscal year 2016, the School District had \$7,282,839 invested in land and buildings, furniture and equipment, vehicles, and buses. We have estimated that these assets have depreciated by \$2,934,430 through June 30, 2016; therefore, we currently have net book value of \$4,348,409. Total additions for the year totaled \$131,729, which consisted of a parking lot and fence, internet infrastructure, and a finish line camera for the track. Capital assets at year-end were as follows:

	2015	2016
Land	\$ 160,000	\$ 160,000
Buildings and Improvements	5,557,549	5,683,728
Furniture and Equipment	812,583	818,133
Vehicles	734,154	620,978
Less: Accumulated Depreciation	<u>(2,780,524)</u>	<u>(2,934,430)</u>
Total Capital Assets, net of depreciation	<u>\$ 4,483,762</u>	<u>\$ 4,348,409</u>

At June 30, 2016, the School District had \$7,159,521 in total debt outstanding, as shown below:

	2015	2016
General Obligation Bonds		
2002 Building and Site Bonds	\$ 30,000	\$ 15,000
2014 School Bus Bonds	95,000	65,000
Installment Purchase Agreements:		
School Buses	38,789	38,789
Computer Lease Purchase	50,855	27,383
Net Pension Liability	6,553,997	6,901,062
Retirement Buyouts	5,000	0
Compensated Absences	<u>131,475</u>	<u>112,287</u>
Total Long-Term Debt	<u>\$ 6,905,116</u>	<u>\$ 7,159,521</u>

Factors Bearing on the District's Future

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

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, 2016

ASSETS	
Cash	\$ 1,834,042
Due from Other Governmental Units	714,194
Prepaid Expense	6,169
Inventory	2,683
Capital Assets, Net of Accumulated Depreciation	4,348,409
Total Assets	<u>\$ 6,905,497</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Pension	<u>\$ 696,865</u>
 LIABILITIES	
Accounts Payable	\$ 207,613
Salaries & Benefits Payable	305,816
Interest Payable	13,235
Notes Payable	798,196
Unearned Revenue	1,538
Long-Term Liabilities:	
Due Within One Year	68,472
Due in More than One Year:	
Net Pension Liability	6,901,062
Other amounts Due in More than One Year	151,198
Total Liabilities	<u>\$ 8,447,130</u>
 DEFERRED INFLOWS OF RESOURCES	
Pension	<u>\$ 302,552</u>
 NET POSITION	
Invested in Capital Assets, Net of Related Debt	\$ 4,238,000
Restricted for:	
Food Service	38,304
Capital Projects	1,002,163
Debt Service	15,555
Unrestricted	(6,441,342)
Total Net Position	<u><u>\$ (1,147,320)</u></u>

See accompanying notes to the basic financial statements.

CAMDEN-FRONTIER SCHOOL
STATEMENT OF ACTIVITIES
JUNE 30, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	
Instruction					
Basic Programs					
Elementary School	\$ 1,466,303	\$ 0	\$ 53,865	\$ 0	\$ (1,412,438)
High School	685,053	0	0	0	(685,053)
Added Needs					
Special Education	232,034	0	0	0	(232,034)
Compensatory Education	470,355	0	303,314	0	(167,041)
Career & Technical Education	78,128	0	21,731	0	(56,397)
Support Services					
Pupil Services	15,046	0	0	0	(15,046)
Instructional Staff	89,417	0	0	0	(89,417)
School Administration	228,880	0	0	0	(228,880)
General Administration	74,879	0	0	0	(74,879)
Business Services	84,544	0	0	0	(84,544)
Operation & Maintenance	424,588	0	0	0	(424,588)
Transportation	379,739	0	0	0	(379,739)
Central Services	15,450	0	0	0	(15,450)
Pupil Activities	9,173	0	0	0	(9,173)
Athletic Activities	119,613	12,742	0	5,550	(101,321)
Community Services	3,402	0	0	0	(3,402)
Other	1,494	0	0	0	(1,494)
Food Service	302,957	72,118	213,037	0	(17,802)
Depreciation – Unallocated*	201,894	0	0	0	(201,894)
Interest on Long-Term Debt	4,306	0	0	0	(4,306)
Total Governmental Activities	\$ 4,887,255	\$ 84,860	\$ 591,947	\$ 5,550	\$ (4,204,898)
General Revenues:					
					\$ 673,306
					432,590
					1,223
					3,564,480
					3,025
					43,922
					\$ 4,718,546
Change in Net Position					\$ 513,648
Net Position – Beginning					(1,660,968)
Net Position - Ending					\$ (1,147,320)

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

See accompanying notes to the basic financial statements.

CAMDEN-FRONTIER SCHOOL
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Sinking Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 750,639	\$ 1,002,078	\$ 81,325	\$ 1,834,042
Due from Other Funds	21,430	85	0	21,515
Due from Other Governmental Units	714,194	0	0	714,194
Prepaid Expense	6,169	0	0	6,169
Inventory	0	0	2,683	2,683
Total Assets	<u>\$ 1,492,432</u>	<u>\$ 1,002,163</u>	<u>\$ 84,008</u>	<u>\$ 2,578,603</u>
LIABILITIES				
Accounts Payable	\$ 207,438	\$ 0	\$ 175	\$ 207,613
Due to Other Funds	85	0	21,430	21,515
Interest Payable	10,209	0	0	10,209
Salaries & Benefits Payable	298,810	0	7,006	305,816
Notes Payable	798,196	0	0	798,196
Unearned Revenue	0	0	1,538	1,538
Total Liabilities	<u>\$ 1,314,738</u>	<u>\$ 0</u>	<u>\$ 30,149</u>	<u>\$ 1,344,887</u>
FUND BALANCES				
Nonspendable	\$ 6,169	\$ 0	\$ 2,683	\$ 8,852
Restricted	0	1,002,163	51,176	1,053,339
Committed	0	0	0	0
Assigned	0	0	0	0
Unassigned	171,525	0	0	171,525
Total Fund Balances	<u>\$ 177,694</u>	<u>\$ 1,002,163</u>	<u>\$ 53,859</u>	<u>\$ 1,233,716</u>
Total Liabilities and Fund Balances	<u>\$ 1,492,432</u>	<u>\$ 1,002,163</u>	<u>\$ 84,008</u>	<u>\$ 2,578,603</u>

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

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, 2016

Fund Balances - total governmental funds	\$ 1,233,716
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add: Capital assets	7,282,839
Deduct: Accumulated depreciation	(2,934,430)
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct: Accrued interest on bonds and notes payable	(3,026)
Deduct: Bonds and notes payable	(107,383)
Deduct: Compensated absences payable and retirement buyouts payable	(112,287)
The net pension liability is not due and payable in the current period; therefore, the Liability and related deferred inflows/outflows are not reported in governmental funds:	
Add: Deferred Outflows – Pension	696,865
Deduct: Deferred Inflows – Pension	(302,552)
Deduct: Net Pension Liability	<u>(6,901,062)</u>
Net position of governmental activities	<u><u>\$ (1,147,320)</u></u>

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

CAMDEN-FRONTIER SCHOOL
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

REVENUE	General Fund	Sinking Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Local Sources				
Property Taxes	\$ 673,306	\$ 432,590	\$ 1,223	\$ 1,107,119
Other Local Revenue	63,995	1,459	74,197	139,651
State Sources	3,586,211	0	11,515	3,597,726
Federal Sources	354,921	0	201,522	556,443
Total Revenue	<u>\$ 4,678,433</u>	<u>\$ 434,049</u>	<u>\$ 288,457</u>	<u>\$ 5,400,939</u>
EXPENDITURES				
Instruction				
Basic Programs				
Elementary	\$ 1,502,326	\$ 0	\$ 0	\$ 1,502,326
High School	695,673	0	0	695,673
Added Needs				0
Special Education	236,552	0	0	236,552
Compensatory Education	478,334	0	0	478,334
Career & Technical Education	79,518	0	0	79,518
Support Services				0
Pupil Services	15,346	0	0	15,346
Instructional Staff	90,778	0	0	90,778
General Administration	75,632	0	0	75,632
School Administration	234,216	0	0	234,216
Business Services	84,544	0	0	84,544
Operation & Maintenance	378,262	0	0	378,262
Pupil Transportation	321,206	0	0	321,206

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

CAMDEN-FRONTIER SCHOOL
STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
(continued)

	General Fund	Sinking Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Central Services	15,450	0	0	15,450
Pupil Activities	9,173	0	0	9,173
Athletic Activities	120,510	0	0	120,510
Community Services	3,402	0	0	3,402
Food Service	0	0	304,794	304,794
Debt Service	0	0	48,132	48,132
Capital Outlay – Nondepreciable	0	62,258	0	62,258
Capital Outlay	14,683	117,046	0	131,729
Other	0	0	0	0
Total Expenditures	<u>\$ 4,355,605</u>	<u>\$ 179,304</u>	<u>\$ 352,926</u>	<u>\$ 4,887,835</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ 322,828</u>	<u>\$ 254,745</u>	<u>\$ (64,469)</u>	<u>\$ 513,104</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 14,681	\$ 0	\$ 16,275	\$ 30,956
Transfers Out	(16,275)	0	(14,681)	(30,956)
Other Sources	0	0	0	0
Other Uses	(63,500)	(792)	0	(64,292)
Total Other Financing Sources (Uses)	<u>\$ (65,094)</u>	<u>\$ (792)</u>	<u>\$ 1,594</u>	<u>\$ (64,292)</u>
REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ 257,734</u>	<u>\$ 253,953</u>	<u>\$ (62,875)</u>	<u>\$ 448,812</u>
FUND BALANCES - Beginning	<u>(80,040)</u>	<u>748,210</u>	<u>116,734</u>	<u>784,904</u>
FUND BALANCES - Ending	<u><u>\$ 177,694</u></u>	<u><u>\$ 1,002,163</u></u>	<u><u>\$ 53,859</u></u>	<u><u>\$ 1,233,716</u></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, 2016

Net changes in fund balances - total governmental funds	\$ 448,812
Amounts reported for governmental activities in the statement of activities are different because:	
<p>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.</p>	
Add: Capital outlay	131,729
Deduct: Depreciation expense	(267,082)
<p>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.</p>	
Deduct: Debt Proceeds	0
Add: Principal payments on long-term debt	107,261
<p>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.</p>	
Deduct: Increase in interest payable on long-term liabilities	(673)
Add: Decrease in accrual for compensated absences and retirement buyouts	24,188
<p>Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows</p>	
	451,240
<p>Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities</p>	
	<u>(381,827)</u>
Change in net position of governmental activities	<u><u>\$ 513,648</u></u>

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

CAMDEN-FRONTIER SCHOOL
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2016

ASSETS

Cash	<u>\$ 95,295</u>
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LIABILITIES

Due to Student Groups	<u>\$ 95,295</u>
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The accompanying notes are an integral part of these financial statements.

CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Camden-Frontier School is a K-12 public school district with an enrollment of approximately 506 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, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting

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

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

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

Financial Statement Presentation

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

The School District reports the following major governmental funds:

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

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

Additionally, the School District reports the following fund types:

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

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

CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016, there were no investment accounts.

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

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

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

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

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

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

CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

CAMDEN-FRONTIER SCHOOL
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

NOTE 2- STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

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

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

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

Fund	Description	Budget	Actual	Variance
General Fund	Basic Programs	\$ 2,190,296	\$ 2,197,999	\$ 7,703
General Fund	Added Needs	792,678	794,404	1,726
General Fund	Business Services	72,708	84,544	11,836
General Fund	Central Services	0	15,450	15,450
General Fund	Capitol Outlay	9,133	14,683	5,550

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

CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016, the District's deposit and investments are in accordance with statutory authority.

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

The District's deposits at June 30, 2016, are as follows:

	Governmental Activities	Fiduciary Funds	Total Government
Deposits	\$ 1,834,042	\$ 95,295	\$ 1,929,337

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

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

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

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

Custodial Credit Risk (Deposits) - In the case of deposits, this is the risk that in the event of a financial institution failure, the District's deposits may not be recovered. As of June 30, 2016, \$1,685,781 of the District's bank balance of \$1,935,781 was exposed to custodial credit risk because it was uninsured. The District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the District evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

CAMDEN-FRONTIER SCHOOL
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

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

NOTE 4 - RECEIVABLES

Receivables at June 30, 2016, 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	\$ 654,294
Federal grants	<u>59,900</u>
Total	<u><u>\$ 714,194</u></u>

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

Food Service Fund	<u><u>\$ 1,538</u></u>
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NOTE 5 - FUND BALANCE CONSTRAINTS

Fund balances have been constrained for the following purposes:

	General Fund	Sinking Fund	Food Service Fund	2014 School Bus Bonds
Nonspendable:				
Inventory	\$ 0	\$ 0	\$ 2,683	\$ 0
Prepaid Expense	6,169	0	0	0
Restricted:				
Capital Outlay	0	1,002,163	0	0
Food Service	0	0	35,621	0
Debt Service	0	0	0	15,555
	<u><u>\$ 6,169</u></u>	<u><u>\$ 1,002,163</u></u>	<u><u>\$ 38,304</u></u>	<u><u>\$ 15,555</u></u>

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

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

CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6 - CAPITAL ASSETS (continued)

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets being depreciated				
Buildings & Improvements	\$ 5,557,549	\$ 126,179	\$ 0	\$ 5,683,728
Furniture & Equipment	812,583	5,550	0	818,133
Vehicles	734,154	0	(113,176)	620,978
Subtotal	<u>\$ 7,104,286</u>	<u>\$ 131,729</u>	<u>\$ (113,176)</u>	<u>\$ 7,122,839</u>
Less accumulated depreciation for				
Buildings & Improvements	\$(1,847,165)	\$ (122,091)	\$ 0	\$(1,969,256)
Furniture & Equipment	(503,826)	(79,803)	0	(583,629)
Vehicles	(429,533)	(65,188)	113,176	(381,545)
Subtotal	<u>\$(2,780,524)</u>	<u>\$ (267,082)</u>	<u>\$ 113,176</u>	<u>\$(2,934,430)</u>
Total capital assets being depreciated, net	<u>\$ 4,323,762</u>	<u>\$ (135,353)</u>	<u>\$ 0</u>	<u>\$ 4,188,409</u>
Total capital assets, net	<u><u>\$ 4,483,762</u></u>	<u><u>\$ (135,353)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 4,348,409</u></u>

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

Support services	
Pupil Transportation	\$ 65,188
Unallocated	201,894
Total	<u><u>\$ 267,082</u></u>

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances at June 30, 2016, is as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General Fund	\$ 21,430	Food Service Fund	\$ 21,430
Sinking Fund	\$ 85	General Fund	\$ 85

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

CAMDEN-FRONTIER SCHOOL
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES (continued)

Interfund transfers during the year consisted of the following:

Transfer from General Fund to 2002 Debt Retirement Fund	\$ 16,275
Transfer from Food Service to General Fund	\$ 14,681

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, 2016, the District had a note payable outstanding of \$798,196. The note had an interest rate of 1.114% and a maturity date of August 22, 2016. 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, 2016:

Balance 6/30/2015	Additions	Payments	Balance 6/30/2016
\$ 400,000	\$ 1,100,000	\$ (701,804)	\$ 798,196

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, 2016, was \$15,000. These bonds mature on May 1, 2017.

On August 1, 2014, the District issued General Obligation – Unlimited Tax Bonds for the purpose of purchasing two school buses. The bonds are dated August 1, 2014, in the aggregate amount of \$190,000 and require annual payments of principal and semi-annual payments of interest. The interest rate is 2.5% per annum. The principal balance at June 30, 2016, was \$65,000. During this first year, 1 mill was collected instead of the correct .1 mill. The District paid the last two payments in advance. The bonds mature on May 1, 2020.

Installment Loans

The District has financed the purchase of 160 desktop computers through an installment purchase agreement with a local bank.

CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9 - LONG-TERM DEBT (continued)

Long-term debt activity is summarized as follows:

	Balance 6/30/2015	Increases	Payments/ Reductions	Balance 6/30/2016
General Obligation Bonds				
2002 Building and Site Bond	\$ 30,000	\$ 0	\$ (15,000)	\$ 15,000
2014 School Bus Bonds	95,000	0	(30,000)	65,000
Installment Purchase Agreements				0
School Bus Loan	14,419	0	(14,419)	0
School Bus Loan	24,370	0	(24,370)	0
Computer Loan	50,855	0	(23,472)	27,383
Net Pension Liability	6,553,997	347,065	0	6,901,062
Retirement Buyouts	5,000	0	(5,000)	0
Compensated Absences	131,475	0	(19,188)	112,287
Total	<u>\$ 6,905,116</u>	<u>\$ 347,065</u>	<u>\$ (131,449)</u>	<u>\$ 7,120,732</u>

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

	Interest Rate(s)	Maturity Date	Current Portion
2002 Building and Site Bonds	2.25 - 4.25%	05/01/17	\$ 15,000
2014 School Bus Bonds	2.50%	05/01/20	30,000
Computer Loan	1.65%	08/23/17	23,472
			<u>\$ 68,472</u>

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

Year Ending June 30	Principal	Interest
2017	\$ 68,472	\$ 4,288
2018	38,911	5,260
Total	<u>\$ 107,383</u>	<u>\$ 9,548</u>

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

NOTE 10 - COMPENSATED ABSENCES

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

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

CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 - COMPENSATED ABSENCES (continued)

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

NOTE 11 - PROPERTY TAXES

The School District levies its property taxes on December 1 on the taxable valuation of property located in the school district as of the preceding December 31. Various municipalities collect the property taxes and remit them to the District through March. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The total levy for 2015 was 18.0 mills on non-homestead valuation for operational purposes, 3.50 mills on total valuation for the sinking fund, and .01 mill for the 2014 School Bus Bonds. The 2015 taxable valuation of the District totaled approximately \$123,736,517.

NOTE 12 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS

Plan Description

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

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

The system's financial statements are available at <http://www.michigan.gov/orsschools/0,1607,7-206-36585---,00.html> .

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits for DB plan members are determined by final average compensation, years of service and a pension factor ranging from 1.25% to 1.5%. 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 plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account, if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously receive a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

CAMDEN-FRONTIER SCHOOL
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (continued)
Contributions and Funded Status

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2015 valuation will be amortized over a 21 year period for the 2015 fiscal year.

The schedule below summarizes pension contribution rates in effect for fiscal year 2015:

Pension Contribution Rates

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Basic	0.0 – 4.0 %	22.52 – 23.07 %
Member Investment Plan	3.0 – 7.0	22.52 – 23.07
Pension Plus	3.0 – 6.4	21.99
Defined Contribution	0.0	17.72 – 18.76

Regular contributions to the pension plan for Camden-Frontier School were \$866,655 for the year ended September 30, 2015.

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

At June 30, 2016, Camden-Frontier School reported a liability of \$6,901,062 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2014. Camden-Frontier School's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2015, the Camden-Frontier School's proportion was 0.0282541% which was a decrease of .0015059% from its proportion measured at September 30, 2014.

CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

For the year ended June 30, 2016 Camden-Frontier School recognized total pension expense of \$518,910. At June 30, 2016 Camden-Frontier School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 302,552
Changes of assumptions	169,919	0
Net difference between projected and actual earnings on pension plan investments	35,224	0
Changes in proportion and differences between Employer contributions and proportionate share of contributions	40,482	0
District contributions subsequent to the measurement date	451,240	0
Total	\$ 696,865	\$ 302,552

\$451,240 reported as deferred outflows of resources related to pension resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized in pension expense as follows:

Plan Year Ending September 30:	Amount
2016	\$ (45,013)
2017	(45,013)
2018	(54,226)
2019	87,325

Actuarial Assumptions

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

CAMDEN-FRONTIER SCHOOL
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (continued)
 Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Actuarial Assumptions

Valuation Date:	September 30, 2015
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.50%
Investment Rate of Return:	
- MIP and Basic Plans (Non-Hybrid)	8.00%
- Pension Plus Plan (Hybrid)	7.00%
Projected Salary Increases:	3.5–12.3% including wage inflation at 3.5%
Cost-of-Living Pension Adjustments	3.0% Annual Non-Compounded for MIP Members

Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the system. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Notes:

- Assumption changes as a result of an experience study for the periods 2007 through 2012 have been adopted by the system for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2015, is based on the results of an actuarial valuation date of September 30, 2014, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.7158
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2015 MPSERS Comprehensive Annual Financial Report <http://www.michigan.gov/orsschools/0,1607,7-206-36585---,00.html>

CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return*</u>
Domestic Equity Pools	28.0%	5.8%
Alternative Investment Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	0.9
Real Estate and Infrastructure Pools	10.0	4.3
Absolute Return Pools	15.5	6.0
Short Term Investment Pools	2.0	0.0
Total	100.00%	

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

Discount Rate

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

CAMDEN-FRONTIER SCHOOL
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

NOTE 12 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS (continued)
Sensitivity of Camden-Frontier School’s proportionate share of the net pension liability to changes in the discount rate

The following presents the Camden-Frontier School’s proportionate share of the net pension liability, calculated using the discount rate of 8.0% (7.0% for the Hybrid Plan), as well as what Camden-Frontier School’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

1% Decrease (Non-Hybrid/Hybrid)	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)	1% Increase (Non-Hybrid/Hybrid)
7.0% / 6.0%	8.0% / 7.0%	9.0% / 8.0%
\$8,397,238	\$6,901,062	\$5,218,204

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, 2016 meeting, the Board took the following actions:

- Approved borrowing up to \$1,000,000, in anticipation of State Aid for the 2016-2017 year.
- Approved Sinking Fund projects for 2016-2017 fiscal year, \$52,154 for carpeting and \$214,326 for parking lot upgrades.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 11, 2016, the date on which the financial statements were available to be issued.

CAMDEN-FRONTIER SCHOOL
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Budget		Actual	Actual
	Original	Amounts Final		Final Budget
REVENUE				
Local Sources	\$ 680,626	\$ 728,875	\$ 737,301	\$ 8,426
State Sources	3,385,830	3,586,353	3,586,211	(142)
Federal Sources	312,500	376,495	354,921	(21,574)
Total Revenue	<u>\$ 4,378,956</u>	<u>\$ 4,691,723</u>	<u>\$ 4,678,433</u>	<u>\$ (13,290)</u>
EXPENDITURES				
Instruction				
Basic Programs	\$ 2,096,344	\$ 2,190,296	\$ 2,197,999	\$ 7,703
Added Needs	658,894	792,678	794,404	1,726
Support Services				
Pupil Services	28,500	25,350	15,346	(10,004)
Instructional Staff	160,338	118,204	90,778	(27,426)
General Administration	92,125	76,690	75,632	(1,058)
School Administration	233,910	234,435	234,216	(219)
Business Services	76,000	72,708	84,544	11,836
Operation & Maintenance	388,700	380,750	378,262	(2,488)
Pupil Transportation	330,650	322,150	321,206	(944)
Central Services	0	0	15,450	15,450
Pupil Activities	5,000	9,200	9,173	(27)
Athletic Activities	118,350	120,995	120,510	(485)
Community Services	2,475	4,327	3,402	(925)
Custody and Care of Children	0	0	0	0
Capital Outlay	0	9,133	14,683	5,550
Total Expenditures	<u>\$ 4,191,286</u>	<u>\$ 4,356,916</u>	<u>\$ 4,355,605</u>	<u>\$ (1,311)</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ 187,670</u>	<u>\$ 334,807</u>	<u>\$ 322,828</u>	<u>\$ (11,979)</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers in	\$ 0	\$ 0	\$ 14,681	\$ 14,681
Operating Transfers out	(16,276)	(16,276)	(16,275)	1
Other Sources	0	0	0	0
Other Uses	(65,750)	(63,900)	(63,500)	400
Total Other Financing Sources (Uses)	<u>\$ (82,026)</u>	<u>\$ (80,176)</u>	<u>\$ (65,094)</u>	<u>\$ 15,082</u>
REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ 105,644</u>	<u>\$ 254,631</u>	<u>\$ 257,734</u>	<u>\$ 3,103</u>
FUND BALANCES - Beginning	(80,040)	(80,040)	(80,040)	0
FUND BALANCES - Ending	<u>\$ 25,604</u>	<u>\$ 174,591</u>	<u>\$ 177,694</u>	<u>\$ 3,103</u>

The accompanying notes are an integral part of this statement

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
A. District's proportion of net pension liability (%)									0.02825%	0.02976%
B. District's proportionate share of net pension liability									\$ 6,901,062	\$6,553,997
C. District's covered-employee payroll									\$ 2,404,100	\$2,663,818
D. District's proportionate share of net pension liability as a percentage of its covered-employee payroll									287.05%	246.04%
E. Plan fiduciary net position as a percentage of total pension liability									63.17%	66.20%

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
A. Statutorily required contributions									\$ 589,756	\$ 604,559
B. Contributions in relation to statutorily required contributions									589,756	604,559
C. Contribution deficiency (excess)									\$ 0	\$ 0
D. District's covered-employee payroll									<u>\$ 2,340,906</u>	<u>\$ 2,500,176</u>
E. Contributions as a percentage of covered employee payroll									25.19%	24.18%

CAMDEN-FRONTIER SCHOOL
Notes to Required Supplementary Information
for the Year Ended June 30,2016

Changes of benefit terms: There were no changes of benefit terms in 2016.

Changes of assumptions: There were no changes of benefit assumptions in 2016.

CAMDEN-FRONTIER SCHOOL
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2016

	Food Service Fund	Debt Retirement Funds		Total Nonmajor Governmental Funds
		2002 Building & Site Bonds	2014 School Bus Bonds	
ASSETS				
Cash	\$ 65,770	\$ 0	\$ 15,555	\$ 81,325
Due from other Governmental Units	0	0	0	0
Inventory	2,683	0	0	2,683
Total Assets	\$ 68,453	\$ 0	\$ 15,555	\$ 84,008
LIABILITIES				
Accounts Payable	\$ 175	\$ 0	\$ 0	\$ 175
Due to other funds	21,430	0	0	21,430
Salaries & Benefits Payable	7,006	0	0	7,006
Unearned Revenue	1,538	0	0	1,538
Total Liabilities	\$ 30,149	\$ 0	\$ 0	\$ 30,149
FUND BALANCE				
Nonspendable	\$ 2,683	\$ 0	\$ 0	\$ 2,683
Restricted	35,621	0	15,555	51,176
Committed	0	0	0	0
Assigned	0	0	0	0
Unassigned	0	0	0	0
Total Fund Balances	\$ 38,304	\$ 0	\$ 15,555	\$ 53,859
Total Liabilities & Fund Balances	\$ 68,453	\$ 0	\$ 15,555	\$ 84,008

CAMDEN-FRONTIER SCHOOL
COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Food Service Fund	Debt Retirement Funds		Total Nonmajor Governmental Funds
		2002 Building & Site Bonds	2014 School Bus Bonds	
REVENUE				
Property Taxes	\$ 0	\$ 0	\$ 1,223	\$ 1,223
Food Service Sales	72,118	0	0	72,118
State School Aid	11,515	0	0	11,515
Federal National School Lunch Program	201,522	0	0	201,522
Interest Income	39	0	19	58
Miscellaneous Income	2,021	0	0	2,021
Total Revenue	\$ 287,215	\$ 0	\$ 1,242	\$ 288,457
EXPENDITURES				
Salaries & Wages	\$ 55,171	\$ 0	\$ 0	\$ 55,171
Employee Benefits	22,847	0	0	22,847
Purchased Services	40,812	0	0	40,812
Supplies & Materials	182,499	0	0	182,499
Capital Outlay – Nondepreciable	0	0	0	0
Capital Outlay	0	0	0	0
Other	3,465	0	702	4,167
Redemption of Principal	0	15,000	30,000	45,000
Interest on Debt	0	1,275	1,155	2,430
Total Expenditures	\$ 304,794	\$ 16,275	\$ 31,857	\$ 352,926
Excess of Revenue Over (Under) Expenditures	\$ (17,579)	\$ (16,275)	\$ (30,615)	\$ (64,469)
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 0	\$ 16,275	\$ 0	\$ 16,275
Transfers Out	(14,681)	0	0	(14,681)
Total Other Financing Sources (Uses)	\$ (14,681)	\$ 16,275	\$ 0	\$ 1,594
Net Change in Fund Balances	\$ (32,260)	\$ 0	\$ (30,615)	\$ (62,875)
FUND BALANCES – Beginning	70,564	0	46,170	116,734
FUND BALANCES – Ending	\$ 38,304	\$ 0	\$ 15,555	\$ 53,859

Bailey, Hodshire
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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, 2016, 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 11, 2016.

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 responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 responses to be a material weakness (Finding 2016-001).

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings and questioned costs to be a significant deficiency (Finding 2016-002).

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 responses (Finding 2016-003).

Camden-Frontier School's Response to Findings

Camden-Frontier School's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. 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 11, 2016

CAMDEN-FRONTIER SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2016

Finding 2016-001 – Preparation of financial statements in accordance with GAAP

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

Condition: As is the case with many small governmental entities, the District does not have procedures in place to prepare financial statements, and the notes to financial statements, 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 school 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.

Finding 2016-002 – Segregation of Duties

Criteria: Management is responsible for establishing effective internal controls to safeguard the District's assets, and to prevent or detect misstatements to the financial statements. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept, given the government's unique circumstances.

Condition: We noted that the District may not have sufficient segregation of duties in its accounting structure. Specifically, we noted that one employee in the business office has access to all aspects of the accounts payable cycle, is responsible for maintenance of the general ledger, performs bank reconciliations, and processes ACH transactions.

Cause: Due to the small size of the accounting staff, adequate segregation of duties is difficult to achieve.

Effect: A greater risk in safeguarding assets exists if duties and responsibilities are not separated.

CAMDEN-FRONTIER SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2016

Recommendation: The District should review various areas of operation and consider additional segregation of duties where possible as well as a review process when segregation of duties is inefficient involving other staff members and/or board members.

View of Responsible Officials and Planned Corrective Action: The District is aware of our limits of the segregation of duties. With the limited funding received from the State and being a smaller District, we have had to cut back to only the Business Manager. Since this has happened, all incoming monies are received by the high school secretary. The District also has the Superintendent approve all bank reconciliations and journal entries monthly.

Finding 2016-003 – 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 incurred expenditures that exceeded the budgeted amounts.

Cause: The final budget amendments did not provide for all deviations from the original budget.

Effect: The District is not in compliance with State law.

Recommendation: The District should continue to closely monitor the budget and make adjustments when necessary.

View of Responsible Officials: The district will continue to monitor the budgets on a quarterly basis with amendments as needed.