

Bailey, Hodshire
& Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

479 E. CHICAGO STREET
P.O. BOX 215
JONESVILLE, MI 49250

PHONE: (517) 849-2410
FAX: (517) 849-2493
E-MAIL: BAILEYHODSHIRE@SBCGLOBAL.NET

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, 2018, 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, 2018, 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.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 19 to the financial statements, Camden-Frontier School implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 29, 2018, 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 29, 2018

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, 2018. 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 \$(4,103,203) at June 30, 2018, an decrease of \$993,290 from the prior year. Of this amount, there is an unrestricted deficit balance of \$(9,545,162). 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	2017	2018
Current Assets	\$ 2,952,292	\$ 2,708,389
Capital Assets	4,249,859	4,173,667
Total Assets	<u>\$ 7,202,151</u>	<u>\$ 6,882,056</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension	\$ 770,202	\$ 628,952
Other Postemployment Benefits (OPEB)	145,203	188,476
Total Deferred Outflows of Resources	<u>\$ 915,405</u>	<u>\$ 817,428</u>
LIABILITIES		
Current Liabilities	\$ 1,218,662	\$ 718,999
Long-term Liabilities:		
Due Within One Year	38,911	24,320
Due in More Than One Year - Net Pension Liability	6,867,661	7,103,583
Net OPEB liability	2,549,808	2,417,387
Other amounts	113,920	113,685
Total Liabilities	<u>\$ 10,788,962</u>	<u>\$ 10,377,974</u>
DEFERRED INFLOWS OF RESOURCES		
Pension	\$ 359,885	\$ 1,342,400
OPEB	78,622	82,313
Total Deferred Inflows of Resources	<u>\$ 438,507</u>	<u>\$ 1,424,713</u>
NET POSITION		
Net Investment in Capital Assets	\$ 4,208,760	\$ 4,120,975
Restricted	1,109,356	1,320,984
Unrestricted (2017 restated, see Note 19)	(8,428,029)	(9,545,162)
Total Net Position	<u>\$ (3,109,913)</u>	<u>\$ (4,103,203)</u>

The \$(4,103,203) deficit in 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, 2018.

TABLE 2 - CHANGES IN NET POSITION

	2017	2018
Program Revenue		
Charges for Services	\$ 80,833	\$ 87,689
Operating Grants and Contributions	595,515	611,074
Capital Grants and Contributions	0	0
General Revenue		
Property Taxes	1,124,813	1,132,255
State Aid	3,718,209	3,906,162
Other	84,209	107,370
Total Revenue	<u>\$ 5,603,579</u>	<u>\$ 5,844,550</u>
Expenses		
Instruction	\$ 2,906,326	\$ 4,200,560
Support Services	1,694,450	2,065,869
Community Services	1,707	3,499
Food Service	286,063	382,810
Depreciation - Unallocated	193,113	183,550
Interest on Long-Term Obligations	1,286	1,552
Total Expenses	<u>\$ 5,082,945</u>	<u>\$ 6,837,840</u>
INCREASE (DECREASE) IN NET POSITION	<u>\$ 520,634</u>	<u>\$ (993,290)</u>

As shown above, the cost of all of our governmental activities this year was \$6,837,840. However, the amount that our taxpayers ultimately financed for these activities through School property taxes was only \$1,132,255 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, 2018, the School District amended the General Fund budget three times.

General Fund

For the General Fund, actual revenue was \$4,986,195, which is above the original budget estimate of \$4,481,643, and above the final amended budget of \$4,966,798.

The actual expenditures of the General Fund were \$5,058,586, which is above the original budget estimate of \$4,783,919, and below the final amended budget of \$5,091,918.

The General Fund ended the year with a fund balance of \$668,406.

Capital Asset and Debt Administration

At the end of fiscal year 2018, the School District had \$7,163,050 invested in land and buildings, furniture and equipment, vehicles, and buses. We have estimated that these assets have depreciated by \$2,989,383 through June 30, 2018; therefore, we currently have net book value of \$4,173,667. Total additions for the year totaled \$127,303, which consisted of a tractor, a new roof and bleachers for the gymnasium, a ticket booth for the football field, and a pavilion for the playground. Capital assets at year-end were as follows:

	2017	2018
Land	\$ 160,000	\$ 160,000
Buildings and Improvements	5,898,054	5,959,214
Furniture and Equipment	818,133	884,276
Vehicles	159,560	159,560
Less: Accumulated Depreciation	<u>(2,785,888)</u>	<u>(2,989,383)</u>
Total Capital Assets, net of depreciation	<u>\$ 4,249,859</u>	<u>\$ 4,173,667</u>

At June 30, 2018, the School District had \$9,658,975 in total debt outstanding, as shown below:

	2017	2018
General Obligation Bonds:		
2014 School Bus Bonds	\$ 35,000	\$ 0
Installment Purchase Agreements:		
Computer	3,911	0
Chromebooks	0	43,559
Security Cameras	0	9,133
Net Pension Liability	6,867,661	7,103,583
Net OPEB Liability	2,549,808	2,417,387
Compensated Absences	<u>113,920</u>	<u>85,313</u>
Total Long-Term Debt	<u>\$ 9,570,300</u>	<u>\$ 9,658,975</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 continue to monitor 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, 2018

ASSETS	
Cash	\$ 1,888,081
Due from Other Governmental Units	796,066
Prepaid Expense	20,777
Inventory	3,465
Capital Assets, Net of Accumulated Depreciation	4,173,667
Total Assets	<u>\$ 6,882,056</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension	\$ 628,952
OPEB	188,476
Total Deferred Outflows of Resources	<u>\$ 817,428</u>
LIABILITIES	
Accounts Payable	\$ 112,121
Salaries & Benefits Payable	318,688
Interest Payable	4,676
Notes Payable	280,781
Unearned Revenue	2,733
Long-Term Liabilities:	
Due Within One Year	24,320
Due in More than One Year:	
Net Pension Liability	7,103,583
Net OPEB Liability	2,417,387
Other amounts Due in More than One Year	113,685
Total Liabilities	<u>\$ 10,377,974</u>
DEFERRED INFLOWS OF RESOURCES	
Pension	\$ 1,342,400
OPEB	82,313
Total Deferred Inflows of Resources	<u>\$ 1,424,713</u>
NET POSITION	
Net Investment in Capital Assets	\$ 4,120,975
Restricted for:	
Food Service	11,733
Capital Projects	1,304,376
Debt Service	4,875
Unrestricted	(9,545,162)
Total Net Position	<u><u>\$ (4,103,203)</u></u>

See accompanying notes to the basic financial statements.

CAMDEN-FRONTIER SCHOOL
STATEMENT OF ACTIVITIES
JUNE 30, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	
Instruction					
Basic Programs					
Elementary School	\$ 1,996,022	\$ 0	\$ 65,649	\$ 0	\$ (1,930,373)
High School	1,023,073	0	10,775	0	(1,012,298)
After School	29,856	0	0	0	(29,856)
Added Needs					
Instructional Activities	17,287	0	0	0	(17,287)
Special Education	348,841	0	0	0	(348,841)
Compensatory Education	670,817	0	289,877	0	(380,940)
Career & Technical Education	114,664	0	0	0	(114,664)
Support Services					
Pupil Services	22,804	0	0	0	(22,804)
Instructional Staff	128,061	0	0	0	(128,061)
General Administration	88,768	0	0	0	(88,768)
School Administration	420,041	0	0	0	(420,041)
Business Services	97,989	0	0	0	(97,989)
Operation & Maintenance	604,990	0	0	0	(604,990)
Transportation	542,735	0	0	0	(542,735)
Pupil Activities	5,100	0	0	0	(5,100)
Athletic Activities	155,381	18,026	0	0	(137,355)
Community Services	3,499	0	0	0	(3,499)
Food Service	382,810	69,663	244,773	0	(68,374)
Depreciation – Unallocated*	183,550	0	0	0	(183,550)
Interest on Long-Term Debt	1,552	0	0	0	(1,552)
Total Governmental Activities	<u>\$ 6,837,840</u>	<u>\$ 87,689</u>	<u>\$ 611,074</u>	<u>\$ 0</u>	<u>\$ (6,139,077)</u>

General Revenues:

Property Tax, levied for general purposes	\$ 659,156
Property Tax, levied for buildings & site	441,572
Property Tax, levied for School Bus purchase	31,527
State School Aid	3,906,162
Unrestricted investment earnings	4,340
Miscellaneous	103,030
Total General Revenues	<u>\$ 5,145,787</u>
Change in Net Position	\$ (993,290)
Net Position – Beginning (restated, see Note19)	(3,109,913)
Net Position - Ending	<u>\$ (4,103,203)</u>

* 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, 2018

	General Fund	Sinking Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 580,743	\$ 1,293,101	\$ 14,237	\$ 1,888,081
Due from Other Funds	0	0	7,960	7,960
Due from Other Governmental Units	796,066	0	0	796,066
Prepaid Expense	8,178	11,275	1,324	20,777
Inventory	0	0	3,465	3,465
Total Assets	<u>\$ 1,384,987</u>	<u>\$ 1,304,376</u>	<u>\$ 26,986</u>	<u>\$ 2,716,349</u>
LIABILITIES				
Accounts Payable	\$ 110,787	\$ 0	\$ 1,334	\$ 112,121
Due to Other Funds	7,960	0	0	7,960
Interest Payable	4,676	0	0	4,676
Salaries & Benefits Payable	312,377	0	6,311	318,688
Notes Payable	280,781	0	0	280,781
Unearned Revenue	0	0	2,733	2,733
Total Liabilities	<u>\$ 716,581</u>	<u>\$ 0</u>	<u>\$ 10,378</u>	<u>\$ 726,959</u>
FUND BALANCES				
Nonspendable	\$ 8,178	\$ 0	\$ 4,789	\$ 12,967
Restricted	0	1,304,376	11,819	1,316,195
Committed	0	0	0	0
Assigned	0	0	0	0
Unassigned	660,228	0	0	660,228
Total Fund Balances	<u>\$ 668,406</u>	<u>\$ 1,304,376</u>	<u>\$ 16,608</u>	<u>\$ 1,989,390</u>
Total Liabilities and Fund Balances	<u>\$ 1,384,987</u>	<u>\$ 1,304,376</u>	<u>\$ 26,986</u>	<u>\$ 2,716,349</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, 2018

Fund Balances - total governmental funds	\$	1,989,390
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.		7,163,050
Accumulated depreciation has not been included in the governmental fund financial statements.		(2,989,383)
Bonds payable, installment loans, and capital lease obligations are not due and payable in the current period and, therefore, are not reported in the funds.		(52,692)
Compensated absences are accrued in the government-wide financial statements whereas in the governmental fund financial statements, an expenditure is reported when paid.		(85,313)
The liabilities for net pension and net OPEB are not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows – Pension		628,952
Deferred Inflows – Pension		(1,342,400)
Net Pension Liability		(7,103,583)
Deferred Outflows – OPEB		188,476
Deferred Inflows – OPEB		(82,313)
Net OPEB Liability		(2,417,387)
Net position of governmental activities	\$	<u><u>(4,103,203)</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, 2018

REVENUE	General Fund	Sinking Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Local Sources				
Property Taxes	\$ 659,156	\$ 441,572	\$ 31,527	\$ 1,132,255
Other Local Revenue	54,576	2,202	69,820	126,598
State Sources	3,906,162	0	11,639	3,917,801
Federal Sources	366,301	0	233,134	599,435
Total Revenue	<u>\$ 4,986,195</u>	<u>\$ 443,774</u>	<u>\$ 346,120</u>	<u>\$ 5,776,089</u>
EXPENDITURES				
Instruction				
Basic Programs				
Elementary	\$ 1,595,326	\$ 0	\$ 0	\$ 1,595,326
High School	847,960	0	0	847,960
After School	23,454	0	0	23,454
Added Needs				
Instructional Activities	13,174	0	0	13,174
Special Education	274,457	0	0	274,457
Compensatory Education	528,608	0	0	528,608
Career & Technical Education	92,748	0	0	92,748
Support Services				
Pupil Services	17,509	0	0	17,509
Instructional Staff	109,858	0	0	109,858
General Administration	77,468	0	0	77,468
School Administration	330,769	0	0	330,769
Business Services	89,123	0	0	89,123
Operation & Maintenance	450,857	0	0	450,857
Pupil Transportation	444,448	0	0	444,448

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, 2018
(continued)

	General Fund	Sinking Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Pupil Activities	5,100	0	0	5,100
Athletic Activities	136,828	0	0	136,828
Community Services	3,499	0	0	3,499
Food Service	0	0	351,576	351,576
Debt Service	0	0	35,833	35,833
Capital Outlay – Nondepreciable	0	80,954	0	80,954
Capital Outlay	17,400	109,903	0	127,303
Total Expenditures	<u>\$ 5,058,586</u>	<u>\$ 190,857</u>	<u>\$ 387,409</u>	<u>\$ 5,636,852</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (72,391)</u>	<u>\$ 252,917</u>	<u>\$ (41,289)</u>	<u>\$ 139,237</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0
Transfers Out	0	0	0	0
Other Sources	137,205	0	0	137,205
Other Uses	(22,870)	0	0	(22,870)
Total Other Financing Sources (Uses)	<u>\$ 114,335</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 114,335</u>
REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ 41,944</u>	<u>\$ 252,917</u>	<u>\$ (41,289)</u>	<u>\$ 253,572</u>
FUND BALANCES - Beginning	<u>626,462</u>	<u>1,051,459</u>	<u>57,897</u>	<u>1,735,818</u>
FUND BALANCES - Ending	<u><u>\$ 668,406</u></u>	<u><u>\$ 1,304,376</u></u>	<u><u>\$ 16,608</u></u>	<u><u>\$ 1,989,390</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, 2018

Net changes in fund balances - total governmental funds \$ 253,572

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.

Purchase/acquisition of capital assets	127,303
Depreciation expense	(203,495)

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

Long-term debt proceeds received	(70,932)
Principal payments on long-term debt	57,151

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.

Change in net pension liability and related deferred amounts	(1,359,687)
Change in net OPEB liability and related deferred amounts	172,003
Change in accrued interest payable on bonds and notes payable	2,188
Change in the accrual for compensated absences	28,607
	28,607

Change in net position of governmental activities	\$ (993,290)
---	--------------

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

CAMDEN-FRONTIER SCHOOL
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2018

ASSETS

Cash	<u>\$ 123,226</u>
------	-------------------

LIABILITIES

Due to Student Groups	<u>\$ 123,226</u>
-----------------------	-------------------

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

CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2018

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, 2018

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, 2018, 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, 2018

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, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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	Added Needs	\$ 860,384	\$ 908,987	\$ 48,603
General Fund	Operations & Maintenance	445,570	450,857	5,287
General Fund	Community Services	3,412	3,499	87

CAMDEN-FRONTIER SCHOOL
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

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 November, 2015, 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. 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, 2018, 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, 2018, are as follows:

	Governmental Activities	Fiduciary Funds	Total Government
Deposits	\$ 1,888,081	\$ 123,226	\$ 2,011,307

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.

CAMDEN-FRONTIER SCHOOL
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 3 - DEPOSITS AND INVESTMENTS (continued)

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, 2018, \$1,835,167 of the District's bank balance of \$2,085,167 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, 2018, 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	\$ 694,474
Federal grants	30,411
Other local revenue	71,181
Total	\$ 796,066

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	\$ 2,733
-------------------	----------

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	\$ 3,465	\$ 0
Prepaid Expense	8,178	0	1,324	0
Restricted:				
Capital Outlay	0	1,304,376	0	0
Food Service	0	0	6,944	0
Debt Service	0	0	0	4,875
	\$ 8,178	\$ 1,304,376	\$ 11,733	\$ 4,875

CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 160,000	\$ 0	\$ 0	\$ 160,000
Capital assets being depreciated				
Buildings & Improvements	\$ 5,898,054	\$ 61,160	\$ 0	\$ 5,959,214
Furniture & Equipment	818,133	66,143	0	884,276
Vehicles	159,560	0	0	159,560
Subtotal	<u>\$ 6,875,747</u>	<u>\$ 127,303</u>	<u>\$ 0</u>	<u>\$ 7,003,050</u>
Less accumulated depreciation for				
Buildings & Improvements	\$ (2,126,879)	\$ (144,488)	\$ 0	\$ (2,271,367)
Furniture & Equipment	(619,119)	(39,062)	0	(658,181)
Vehicles	(39,890)	(19,945)	0	(59,835)
Subtotal	<u>\$ (2,785,888)</u>	<u>\$ (203,495)</u>	<u>\$ 0</u>	<u>\$ (2,989,383)</u>
Total capital assets being depreciated, net	<u>\$ 4,089,859</u>	<u>\$ (76,192)</u>	<u>\$ 0</u>	<u>\$ 4,013,667</u>
Total capital assets, net	<u><u>\$ 4,249,859</u></u>	<u><u>\$ (76,192)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 4,173,667</u></u>

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

Support services	
Pupil Transportation	\$ 19,945
Unallocated	183,550
Total	<u><u>\$ 203,495</u></u>

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances at June 30, 2018, is as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Food Service Fund	\$ 7,960	General Fund	\$ 7,960

The interfund balance between the Food Service Fund and General Fund represents positive cash flow from food service operations held by the General Fund.

There were no transfers between funds during the year.

**CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 - SHORT-TERM DEBT

At June 30, 2018, the District had a note payable outstanding of \$280,782. The note had two components with interest rates varying from 1.27% to 1.49% and a maturity date of August 20, 2018. 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, 2018:

Balance 6/30/2017	Additions	Payments	Balance 6/30/2018
\$ 797,941	\$ 450,000	\$ (967,159)	\$ 280,782

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

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. These bonds were paid off on May 1, 2018.

Installment Purchase Agreements

In September, 2014, the District financed the purchase of 160 desktop computers through an installment purchase agreement with a local bank. This loan was paid off on August 23, 2017.

In September, 2017, the District financed the purchase of 275 chrome books and 3 charging stations and a security camera system through two installment purchase agreements with a local bank.

Long-term debt activity is summarized as follows:

	Balance 6/30/2017	Increases	Payments/ Reductions	Balance 6/30/2018
General Obligation Bonds				
2014 School Bus Bonds	\$ 35,000	\$ 0	\$ (35,000)	\$ 0
Installment Purchase Agreements				0
Computer Loan	3,911	0	(3,911)	0
Chromebook Loan	0	58,638	(15,079)	43,559
Security Camera Loan	0	12,294	(3,161)	9,133
Net Pension Liability	6,867,661	235,922	0	7,103,583
Net OPEB Liability	2,549,808	0	(132,421)	2,417,387
Compensated Absences	113,920	0	(28,607)	85,313
Total	\$ 9,570,300	\$ 306,854	\$ (218,179)	\$ 9,658,975

**CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 - LONG-TERM DEBT (continued)

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

	Interest Rate(s)	Maturity Date	Current Portion
Chrome Book Loan	1.45%	08/23/20	\$ 20,105
Security Camera Loan	1.45%	08/23/20	4,215
			\$ 24,320

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

<u>Year Ending June 30</u>	Principal	Interest
2019	\$ 24,320	\$ 602
2020	24,320	250
2021	4,052	7
Total	\$ 52,692	\$ 859

The annual requirements to amortize compensated absences, net pension liability, and net OPEB 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. 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.

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 2017 was 18.0 mills on non-homestead valuation for operational purposes, 3.50 mills on total valuation for the sinking fund, and .025 mill for the 2014 School Bus Bonds. The 2017 taxable valuation of the District totaled approximately \$126,407,000.

NOTE 12 - DEFINED BENEFIT PLAN AND POST RETIREMENT BENEFITS

Plan Description

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

**CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

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

members – eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

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, prescription drug, dental and vision coverage under the Michigan Public School Employees’ Retirement Act (1980 PA 300 as amended).

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 on the ORS website www.michigan.gov/orsschools.

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

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, 2016 valuation will be amortized over a 20-year period for the 2016 fiscal year.

The schedule below summarizes pension contribution rates in effect for fiscal year 2017:

<u>Benefit Structure</u>	<u>Pension Contribution Rates</u>	
	<u>Member</u>	<u>Employer</u>
Basic	0.0 – 4.0 %	19.03 %
Member Investment Plan	3.0 – 7.0	19.03
Pension Plus	3.0 – 6.4	18.40
Defined Contribution	0.0	15.27

CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

Regular contributions to the pension plan for Camden-Frontier School were \$642,954 for the year ended September 30, 2017.

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

At June 30, 2018, Camden-Frontier School reported a liability of \$7,103,583 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2016. 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, 2017, Camden-Frontier School's proportion was .02741188% which was a decrease of .00011472% from its proportion measured at September 30, 2016.

For the year ended June 30, 2018 Camden-Frontier School recognized total pension expense of \$623,628. At June 30, 2018 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	\$ 61,735	\$ 34,856
Changes of assumptions	778,254	0
Net difference between projected and actual earnings on pension plan investments	0	339,598
Changes in proportion and differences between Employer contributions and proportionate share of contributions	18,694	254,498
District contributions subsequent to the measurement date	483,717	0
Total	\$ 1,342,400	\$ 628,952

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	Amount
2018	\$ 16,742
2019	154,619
2020	76,811
2021	(18,441)

CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

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 the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Actuarial Assumptions

Valuation Date:	September 30, 2016
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.50%
Investment Rate of Return:	
- MIP and Basic Plans (Non-Hybrid)	7.50%
- 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, 2017, is based on the results of an actuarial valuation date of September 30, 2016, 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: 4.5188
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2017 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2017, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.00%	5.6%
Alternative Investment Pools	18	8.7
International Equity	16	7.2
Fixed Income Pools	10.5	(0.1)
Real Estate and Infrastructure Pools	10	4.2
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2	(0.9)
Total	100.00%	

*Long term rate of return are net of administrative expenses and 2.3% inflation.

Rate of Return

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 13.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 7.5% 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 7.5% (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.

Sensitivity of Camden-Frontier School's proportionate share of the net pension liability to changes in the discount rate

The following presents Camden-Frontier School's proportionate share of the net pension liability, calculated using the discount rate of 7.5% (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:

CAMDEN-FRONTIER SCHOOL
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

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

1% Decrease (Non-Hybrid/Hybrid)	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)	1% Increase (Non-Hybrid/Hybrid)
6.5% / 6.0%	7.5% / 7.0%	8.5% / 8.0%
\$9,253,606	\$7,103,583	\$5,293,401

Michigan Public School Employees’ Retirement System (MPSERS) Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description

The Michigan Public School Employees' Retirement System (System or MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. 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’s health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees’ Retirement Act (1980 PA 300 as amended).

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 on the ORS website at www.michigan.gov/orsschools

Benefits Provided

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 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, 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 healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1,

**CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 13– POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending September 3, 2012 or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member’s healthcare benefit are effective as of the member’s transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

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

Contributions

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 OPEB 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, 2016 valuation will be amortized over a 20-year period for the 2017 fiscal year.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2017.

OPEB Contribution Rates

<u>Benefit Structure</u>	<u>Member</u>	<u>Employer</u>
Premium Subsidy	3.0 %	5.91 %
Personal Healthcare Fund (PHF)	0.0 %	5.69 %

Required contributions to the OPEB plan from Camden-Frontier School were \$212,528 for the year ended September 30, 2017.

CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, Camden-Frontier School reported a liability of \$2,417,387 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2016. Camden-Frontier School’s proportion of the net OPEB liability was determined by dividing each employer’s statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2017, Camden-Frontier School’s proportion was .02729823%.

For the year ending June 30, 2018, Camden-Frontier School recognized OPEB expense of \$82,313. At June 30, 2018, Camden-Frontier School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ 0	\$ 25,738
Changes of Assumptions	0	0
Net difference between projected and actual earnings on OPEB plan investments	0	55,987
Changes in proportion and differences between employer contributions and proportionate share of contributions	0	588
Employer contributions subsequent to the measurement date	<u>188,476</u>	<u>0</u>
Total	<u>\$ 188,476</u>	<u>\$ 82,313</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year</u>	<u>Amount</u>
2018	\$ (19,881)
2019	(19,881)
2020	(19,881)
2021	(19,881)
2022	(2,789)

**CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

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 the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2015
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return:	7.5%
Projected Salary Increases:	3.5 - 12.3%, including wage inflation at 3.5%
Healthcare Cost Trend Rate:	7.5% Year 1 graded to 3.5% Year 12
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.
Other Assumptions:	
Opt Out Assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Notes:

- *Assumption changes as a result of an experience study for the period 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 OPEB liability as of September 30, 2017, is based on the results of an actuarial valuation date of September 30, 2016, 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: 5.4744*
- *Recognition period for assets in years is 5.0000*
- *Full actuarial assumptions are available in the 2017 MPERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.*

**CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB 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 OPEB 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 OPEB plan’s target asset allocation as of September 30, 2017, 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%	5.6%
Alternative Investment Pools	18.0	8.7
International Equity	16.0	7.2
Fixed Income Pools	10.5	(0.1)
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.0
Short Term Investment Pools	2.0	(0.9)
TOTAL	100.0%	

**Long-term rates of return are net of administrative expenses and 2.3% inflation.*

Rate of Return

For the fiscal year ended September 30, 2017, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 11.82%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 7.5% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.5%. 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 OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of Camden-Frontier School proportionate share of the net OPEB liability to changes in the discount rate

The following presents Camden-Frontier School proportionate share of the net OPEB liability calculated using the discount rate of 7.5%, as well as what Camden-Frontier School proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease	Current Discount Rate	1% Increase
6.5%	7.5%	8.5%
\$2,831,459	\$2,417,387	\$2,065,970

**CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

Sensitivity of Camden-Frontier School proportionate share of the net OPEB liability to Healthcare Cost Trend Rate

The following presents Camden-Frontier School proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what Camden-Frontier School proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
6.5%	7.5%	8.5%
\$2,047,202	\$2,417,387	\$2,837,706

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued 2017 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools

NOTE 14 - 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 15 - 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 16 - COMMITMENTS

In its June, 2018 meeting, the Board took the following actions:

- Approved borrowing up to \$450,000, in anticipation of State Aid for the 2018-2019 year.

NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 29, 2018, the date on which the financial statements were available to be issued.

CAMDEN-FRONTIER SCHOOL
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

NOTE 18 – TAX ABATEMENTS

GASB Statement No. 77, Tax Abatement Disclosures requires the disclosure of tax abatement information about (1) a reporting government’s own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government’s tax revenue. As of June 30, 2018, the District did not have any tax abatement agreements, and there were no tax abatement agreements entered into by other governments that reduced the District’s tax revenue.

NOTE 19–CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

For the year ended June 30, 2018 the District implemented the following new pronouncements: Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

GASB Statement No. 75 requires governments that participate in defined benefit other postemployment benefit (OPEB) plans to report in the statement of net position a net OPEB liability. The net OPEB liability is the difference between the total OPEB liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. The statement requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net OPEB liability and expense for the cost-sharing plan. The statement also will improve the comparability and consistency of how governments calculate the OPEB liabilities and expense.

The restatement of the beginning of the year net position is as follows:

	<u>Governmental Activities</u>
Net position as previously stated July 1, 2017	\$ (626,686)
Adoption of GASB Statement 75:	
Net OEPB Liability	(2,549,808)
Deferred Outflows	145,203
Deferred Inflows	<u>(78,622)</u>
Net position as restated July 1, 2017	<u><u>\$(3,109,913)</u></u>

NOTE 20 – UPCOMING ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 84, *Fiduciary Activities*, was issued in January 2017 and will be effective for the District’s 2020 year-end. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Districts with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

CAMDEN-FRONTIER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 20 – UPCOMING ACCOUNTING PRONOUNCEMENTS (continued)

GASB Statement No. 87, *Leases*, was issued in June 2017 and will be effective for the District's 2021 year-end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows and of resources of outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

CAMDEN-FRONTIER SCHOOL
SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
REVENUE				
Local Sources	\$ 674,800	\$ 711,448	\$ 713,732	\$ 2,284
State Sources	3,481,843	3,884,198	3,906,162	21,964
Federal Sources	325,000	371,152	366,301	(4,851)
Total Revenue	<u>\$ 4,481,643</u>	<u>\$ 4,966,798</u>	<u>\$ 4,986,195</u>	<u>\$ 19,397</u>
EXPENDITURES				
Instruction				
Basic Programs	\$ 2,220,051	\$ 2,525,714	\$ 2,466,740	\$ (58,974)
Added Needs	901,201	860,384	908,987	48,603
Support Services				
Pupil Services	28,750	22,350	17,509	(4,841)
Instructional Staff	114,363	113,513	109,858	(3,655)
General Administration	94,025	84,725	77,468	(7,257)
School Administration	302,650	332,880	330,769	(2,111)
Business Services	82,000	91,470	89,123	(2,347)
Operation & Maintenance	426,800	445,570	450,857	5,287
Pupil Transportation	479,300	448,680	444,448	(4,232)
Pupil Activities	0	5,100	5,100	0
Athletic Activities	133,050	140,720	136,828	(3,892)
Community Services	1,729	3,412	3,499	87
Capital Outlay	0	17,400	17,400	0
Total Expenditures	<u>\$ 4,783,919</u>	<u>\$ 5,091,918</u>	<u>\$ 5,058,586</u>	<u>\$ (33,332)</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (302,276)</u>	<u>\$ (125,120)</u>	<u>\$ (72,391)</u>	<u>\$ 52,729</u>
OTHER FINANCING SOURCES (USES)				
Operating Transfers in	\$ 0	\$ 0	\$ 0	\$ 0
Operating Transfers out	0	0	0	0
Other Sources	1,000	0	137,205	137,205
Other Uses	(25,500)	(22,750)	(22,870)	(120)
Total Other Financing Sources (Uses)	<u>\$ (24,500)</u>	<u>\$ (22,750)</u>	<u>\$ 114,335</u>	<u>\$ 137,085</u>
REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (326,776)</u>	<u>\$ (147,870)</u>	<u>\$ 41,944</u>	<u>\$ 189,814</u>
FUND BALANCES - Beginning	<u>411,903</u>	<u>626,462</u>	<u>626,462</u>	<u>0</u>
FUND BALANCES - Ending	<u>\$ 85,127</u>	<u>\$ 478,592</u>	<u>\$ 668,406</u>	<u>\$ 189,814</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
SINKING FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budget		Actual	Actual
	Original	Amounts Final		Over (Under) Final Budget
REVENUE				
Property Taxes	\$ 442,000	\$ 441,569	\$ 441,572	\$ 3
Interest Income	0	1,995	2,202	207
Total Revenue	<u>\$ 442,000</u>	<u>\$ 443,564</u>	<u>\$ 443,774</u>	<u>\$ 210</u>
EXPENDITURES				
Capital Outlay-Nondepreciable	\$ 0	\$ 90,000	\$ 80,954	\$ (9,046)
Capital Outlay-Depreciable	450,000	112,046	109,903	(2,143)
Total Expenditures	<u>\$ 450,000</u>	<u>\$ 202,046</u>	<u>\$ 190,857</u>	<u>\$ (11,189)</u>
REVENUE OVER (UNDER) EXPENDITURES	\$ (8,000)	\$ 241,518	\$ 252,917	\$ 11,399
FUND BALANCES - Beginning	<u>1,051,288</u>	<u>1,051,288</u>	<u>1,051,459</u>	<u>171</u>
FUND BALANCES - Ending	<u><u>\$ 1,043,288</u></u>	<u><u>\$ 1,292,806</u></u>	<u><u>\$ 1,304,376</u></u>	<u><u>\$ 11,570</u></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 (%)							0.0241188%	0.0275266%	0.02825%	0.02976%
B. District's proportionate share of net pension liability							\$ 7,103,583	\$ 6,867,661	\$ 6,901,062	\$ 6,553,997
C. District's covered-employee payroll							\$ 2,297,009	\$ 2,291,761	\$ 2,404,100	\$ 2,663,818
D. District's proportionate share of net pension liability as a percentage of its covered-employee payroll							309.25%	299.67%	287.05%	246.04%
E. Plan fiduciary net position as a percentage of total pension liability							64.21%	63.27%	63.17%	66.20%

CAMDEN-FRONTIER SCHOOL
Schedule of the District's Pension 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							\$ 618,017	\$ 569,619	\$ 589,756	\$ 604,559
B. Contributions in relation to statutorily required contributions							618,017	569,619	589,756	604,559
C. Contribution deficiency (excess)							<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
D. District's covered-employee payroll							<u>\$ 2,493,120</u>	<u>\$ 2,275,041</u>	<u>\$ 2,340,906</u>	<u>\$ 2,500,176</u>
E. Contributions as a percentage of covered employee payroll							24.79%	25.04%	25.19%	24.18%

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

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
A. District's proportion of net OPEB liability (%)										0.0272982%
B. District's proportionate share of net OPEB liability										\$ 2,417,387
C. District's covered payroll (OPEB)										\$ 2,297,009
D. District's proportionate share of net OPEB liability as a percentage of its covered payroll (%)										105.24%
E. Plan fiduciary net position as a percentage of total OPEB liability										36.39%

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

	2027	2026	2025	2024	2023	2022	2021	2020	2019	2018
A. Statutorily required OPEB contributions										\$ 233,280
B. OPEB Contributions in relation to statutorily required contributions										233,280
C. Contribution deficiency (excess)										\$ 0
D. District's covered-employee payroll (OPEB)										\$ 2,493,120
E. OPEB Contributions as a percentage of covered payroll										9.36%

CAMDEN-FRONTIER SCHOOL
Notes to Required Supplementary Information
for the Year Ended June 30, 2018

Changes of benefit terms: There were no changes of benefit terms in 2018.

Changes of assumptions: There were no changes of benefit assumptions in 2018.

CAMDEN-FRONTIER SCHOOL
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2018

	Food Service Fund	2014 School Bus Bonds	Total Nonmajor Governmental Funds
ASSETS			
Cash	\$ 9,362	\$ 4,875	\$ 14,237
Due from Other Funds	7,960	0	7,960
Prepaid Expense	1,324	0	1,324
Inventory	3,465	0	3,465
Total Assets	<u>\$ 22,111</u>	<u>\$ 4,875</u>	<u>\$ 26,986</u>
LIABILITIES			
Accounts Payable	\$ 1,334	\$ 0	\$ 1,334
Due to Other Funds	0	0	0
Salaries & Benefits Payable	6,311	0	6,311
Unearned Revenue	2,733	0	2,733
Total Liabilities	<u>\$ 10,378</u>	<u>\$ 0</u>	<u>\$ 10,378</u>
FUND BALANCE			
Nonspendable	\$ 4,789	\$ 0	\$ 4,789
Restricted	6,944	4,875	11,819
Committed	0	0	0
Assigned	0	0	0
Unassigned	0	0	0
Total Fund Balances	<u>\$ 11,733</u>	<u>\$ 4,875</u>	<u>\$ 16,608</u>
Total Liabilities & Fund Balances	<u>\$ 22,111</u>	<u>\$ 4,875</u>	<u>\$ 26,986</u>

CAMDEN-FRONTIER SCHOOL
 COMBINING STATEMENT OF REVENUE, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

	Food Service Fund	2014 School Bus Bonds	Total Nonmajor Governmental Funds
REVENUE			
Property Taxes	\$ 0	\$ 31,527	\$ 31,527
Food Service Sales	69,663	0	69,663
State School Aid	11,639	0	11,639
Federal National School Lunch Program	233,134	0	233,134
Interest Income	3	4	7
Miscellaneous Income	150	0	150
Total Revenue	<u>\$ 314,589</u>	<u>\$ 31,531</u>	<u>\$ 346,120</u>
EXPENDITURES			
Salaries & Wages	\$ 69,099	\$ 0	\$ 69,099
Employee Benefits	55,081	0	55,081
Purchased Services	21,527	0	21,527
Supplies & Materials	201,918	0	201,918
Capital Outlay – Nondepreciable	0	0	0
Capital Outlay	0	0	0
Other	3,951	308	4,259
Redemption of Principal	0	35,000	35,000
Interest on Debt	0	525	525
Total Expenditures	<u>\$ 351,576</u>	<u>\$ 35,833</u>	<u>\$ 387,409</u>
Excess of Revenue Over (Under) Expenditures	<u>\$ (36,987)</u>	<u>\$ (4,302)</u>	<u>\$ (41,289)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	\$ 0	\$ 0	\$ 0
Transfers Out	0	0	0
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Fund Balances	<u>\$ (36,987)</u>	<u>\$ (4,302)</u>	<u>\$ (41,289)</u>
FUND BALANCES – Beginning	<u>48,720</u>	<u>9,177</u>	<u>57,897</u>
FUND BALANCES – Ending	<u><u>\$ 11,733</u></u>	<u><u>\$ 4,875</u></u>	<u><u>\$ 16,608</u></u>

Bailey, Hodshire
& Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

479 E. CHICAGO STREET
P.O. BOX 215
JONESVILLE, MI 49250

PHONE: (517) 849-2410
FAX: (517) 849-2493
E-MAIL: BAILEYHODSHIRE@SBCGLOBAL.NET

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, 2018, 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 29, 2018.

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.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses that we consider to be a significant deficiency (Finding 2018-001)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Camden-Frontier School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses (Finding 2018-002).

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 29, 2018

CAMDEN-FRONTIER SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2018

Finding 2018-001 – 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.

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

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 2018-002 – Expenditures incurred in excess of the amounts appropriated

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

Condition: During the year the District 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.

Camden-Frontier Schools

4971 W. Montgomery Road

Camden, MI 49232

*Business Office (517) 368-5991 Fax (517) 368-5959
High/Middle School Office (517) 368-5255 Fax (517) 368-5959
Elementary School Office (517) 368-5258*

Administration

Scott Riley
Superintendent
K-12 Principal

Ben Slusher
Asst. Principal/Athletic Director

Board of Education

*Scott Nicholls, President
Matt Shiery, Vice President
Barbara Balbo, Secretary
Nathan VanAken, Treasurer
Gary Morrison, Trustee
JR VanAkin, Trustee
Mike Vondran, Trustee*

Camden-Frontier Schools
Corrective Action Plan
June 30, 2018

Finding Number	Type	Condition per Auditor	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2018-001	Segregation of Duties	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.	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 receipted by the high school secretary. The District also has the superintendent approve all bank reconciliations and journal entries monthly.	June 2019	Superintendent and LEA Business Manager
2018-002	Expenditures incurred in excess of the amounts appropriated	During the year the District incurred expenditures that exceeded the budgeted amounts.	The District will continue to monitor the budgets on a quarterly basis with amendments as needed.	June 2019	Superintendent and LEA Business Manager