

**COLUMBIA SCHOOL DISTRICT
BROOKLYN, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2021**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Columbia School District
Brooklyn, 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 Columbia School District, Brooklyn, Michigan (the "School District"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the entity'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 the School District as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and schedules of proportionate share of net pension and OPEB liabilities and contributions, as listed 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 the School District's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements 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, 2021, on our consideration of the School District'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's 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 the School District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Gabridge & Company".

Gabridge & Company, PLC
Grand Rapids, MI
October 29, 2021

Management's Discussion and Analysis

**Columbia School District
Management's Discussion and Analysis
June 30, 2021**

This section of Columbia School District's (the "School District") annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2021. It is to be read in conjunction with the School District's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* and is intended to provide the financial results for the fiscal year ending June 30, 2021.

Financial Highlights

- The liabilities and deferred inflows of the School District exceeded its assets and deferred outflows at the close of this fiscal year by \$(19,592,167) (shown as a deficit *net position*). The School District had a deficit *unrestricted net position* of \$(24,129,976).
- Revenues of \$19,745,118 exceeded expenses of \$19,353,133 leading to an increase in net position of \$391,985 during the year.
- During the year, the School District's fund balances increased by \$1,373,990 for an ending fund balance of \$3,841,989 across all funds.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,002,721, or 19.3% of the general fund's total expenditures. Fund balance of the general fund *increased* by \$1,263,757 during the year.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and supplemental information. The basic financial statements include two kinds of statements that present different views of the School District:

- The first two statements, the statement of net position and the statement of activities, are *district-wide financial statements* that provide both short-term and long-term information about the School District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the School District, reporting the School District's operations in more detail than the district-wide statements.
 - *Governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.

- *Fiduciary funds statements* provide information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others.

The basic financial statements also include the notes to the financial statements that explain the information in the basic financial statements and provide more detailed data. Supplementary information follows and includes combining and individual fund statements as well as a budgetary comparison schedule for the general fund.

District-wide Financial Statements

The district-wide financial statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School District's assets, deferred inflows and outflows, and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the School District's net position and how they have changed. Net position – the difference between the School District's assets, deferred outflows and inflows, and liabilities - is one way to measure the School District's financial health or position.

Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating.

To assess the School District's overall health, one should consider additional non-financial factors such as changes in the School District's property tax-base and the condition of school buildings and other facilities.

In the district-wide financial statements, the School District's activities are presented as governmental activities. *Governmental activities* include the School District's basic services, such as regular and special education, instructional support, transportation, administration, community services, food service, and athletics. State aid and property taxes finance most of these activities.

Financial Analysis of the School District as a Whole

On the following page is a comparative schedule of the current and prior year financial activities from the district-wide financial statements.

Columbia School District's Net Position

ASSETS	2021	2020
<i>Current Assets</i>		
Cash and investments	\$ 3,541,212	\$ 2,686,058
Accounts receivable	175,709	125,033
Due from other governmental units	1,787,583	1,474,669
Inventories	13,601	6,794
Total Current Assets	5,518,105	4,292,554
<i>Noncurrent Assets</i>		
Capital assets, net	31,249,328	32,231,572
Total Assets	36,767,433	36,524,126
DEFERRED OUTFLOWS OF RESOURCES		
Charge on bond refunding	2,548,638	-
Pension related	6,931,502	7,303,596
OPEB related	2,320,488	1,867,353
Total Deferred Outflows of Resources	11,800,628	9,170,949
LIABILITIES		
<i>Current Liabilities</i>		
Payables and accrued expenses	1,676,116	1,824,555
Accrued interest payable	71,120	202,681
Current portion of long-term debt	1,285,000	852,226
Total Current Liabilities	3,032,236	2,879,462
<i>Noncurrent Liabilities</i>		
Long-term debt	28,528,116	26,820,244
Compensated absences	143,433	140,765
Net pension liability	28,293,366	26,451,030
Net OPEB liability	4,508,675	5,832,383
Total Liabilities	64,505,826	62,123,884
DEFERRED INFLOWS OF RESOURCES		
Pension related	203,122	1,187,253
OPEB related	3,451,280	2,368,090
Total Deferred Inflows of Resources	3,654,402	3,555,343
NET POSITION		
Net investment in capital assets	3,984,850	4,580,338
Restricted	552,959	417,356
Unrestricted	(24,129,976)	(24,981,846)
Total Net Position	\$ (19,592,167)	\$ (19,984,152)

Cash and investments increased by \$855,154, largely from the increase in governmental funds' fund balance of \$1,373,990. Pension related deferred outflows of resources and deferred inflows of resources decreased by \$372,094 and \$984,131, respectively, as a result of a decrease in changes of assumptions and decrease in net difference between projected and actual earnings on pension

plan investments. Net pension liability increased by \$1,842,336 because the total pension liability was greater than the plan fiduciary net position. The total OPEB liability decreased while the plan fiduciary net position increased significantly contributing to the decrease in net OPEB liability of \$1,323,708. OPEB related deferred outflows of resources and deferred inflows of resources increased by \$453,135 and \$1,083,190, respectively, as a result of an increase in changes of assumptions and an increase in differences between actual and expected experience. Due to other governmental units increased by \$312,914 largely because of the significant increase in state aid and restricted state and federal COVID-19 funding. Payables and accrued expenses decreased by \$148,439 due to the timing of year-end invoice payments and payroll accrual. The School District refunded their 2014 bonds with 2021 refunding bonds causing long-term debt to have a net increase of \$2,140,646, contributing to a decrease in accrued interest payable of \$131,561, and creating a deferred charge on bond refunding in the amount of \$2,548,638. See note 7 for a description of the 2021 refunding bonds and the long-term savings generated by the refunding.

The statement of activities presents the following changes in net position from operating results:

Columbia School District's Changes in Net Position

Revenues	2021	2020
Program Revenues		
Charges for services	\$ 593,005	\$ 836,163
Operating grants and contributions	5,260,664	3,940,836
<i>Total Program Revenues</i>	5,853,669	4,776,999
General Revenues		
Property taxes	6,611,275	6,516,284
Unrestricted state sources	7,279,345	7,147,077
Interest and investment earnings	829	2,925
<i>Total General Revenues</i>	13,891,449	13,666,286
<i>Total Revenues</i>	19,745,118	18,443,285
Expenses		
Instruction	11,036,578	12,827,281
Supporting services	5,557,934	5,858,143
Community services	154,334	211,290
Food services	627,441	572,537
Building and site improvements	64,650	-
Interest and fiscal charges on long-term debt	1,839,769	1,230,846
Depreciation (unallocated)	72,427	47,525
<i>Total Expenses</i>	19,353,133	20,747,622
<i>Change in Net Position</i>	391,985	(2,304,337)
<i>Net Position at Beginning of Period</i>	(19,984,152)	(17,679,815)
<i>Net Position at End of Period</i>	\$ (19,592,167)	\$ (19,984,152)

Charges for services decreased by \$243,158 as a result of the COVID-19 pandemic and subsequent federal, state, and local government response. Operating grants and contributions increased by \$1,319,828 and unrestricted state sources increased by \$132,268 because of increased state and federal COVID-19 funding and increased state aid, respectively. Property taxes increased by \$94,991 as a result of increased taxable value offset by a slight decrease in debt millage. Instruction and supporting services expenses saw decreases of \$1,790,703 and \$300,209, respectively, as the net pension and OPEB expense was \$2,033,234 greater in the prior year than the current year. Food services expenses increased by \$54,904 as there was an increase in federal COVID-19 funding and the demand for services increased. Interest and fiscal charges on long-term debt increased by \$608,923 because of the bond refunding as indicated in the notes to the financial statements.

Fund Financial Statements

The fund financial statements provide more detailed information about the School District's funds, focusing on its most significant or "major" funds - not the School District as a whole. Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs.

The School District utilizes two kinds of funds:

- *Governmental funds*: Most of the School District's basic services are included in governmental funds, which generally focus on: 1) how cash and other financial assets that can readily be converted to cash flow in and out and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that 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. Since the district-wide financial statements and the fund financial statements use different methods of accounting to report the School District's financial condition, a reconciliation is included in the financial statements showing the differences between the two types of statements.
- *Fiduciary funds*: The School District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the School District's Funds

The School District uses funds to record and analyze financial information. The School District has two major funds, its general fund and 2014 debt service fund.

The ***general fund*** is the School District's primary operating fund. The general fund had revenues of \$16,800,786, expenditures of \$15,580,687, and net other financing sources of \$43,658. The School District ended the year with a \$1,263,757 increase in fund balance for a total fund balance

of \$3,002,721 as of June 30, 2021, up from \$1,738,964 as of June 30, 2020. The reason for the increase in total fund balance was described in an earlier section of this report.

The **2014 debt service fund** had revenues of \$1,913,429, expenditures of \$2,580,475, and net other financing sources of \$663,050. The 2014 debt service fund ended the year with a \$3,996 decrease in fund balance for a total fund balance of \$162,598 as of June 30, 2021, down from \$166,594 as of June 30, 2020. The significant activity within the 2014 debt service fund was caused by the bond refunding as indicated in the notes to the financial statements.

The nonmajor governmental funds had an increase in fund balance for the year of \$114,229 for total nonmajor governmental fund balances of \$676,670 as of June 30, 2021, up from \$562,441 as of June 30, 2020.

General Fund Budgetary Highlights

During the year the School District revised its budget to attempt to match changes in the school funding environment and current needs of students and faculty. State law requires that budgets be amended during the year so actual expenditures do not exceed appropriations. The initial budget for the year ended June 30, 2021, was adopted by the Board of Education on June 8, 2020, with the final amendments made on June 14, 2021.

Original budget compared to final budget. The original budget was amended during the year as actual results needed adjusting from the original budgeted estimates. The original budget for basic programs expenditures increased from \$7,444,289 to \$8,025,452, state sources revenue increased from \$8,652,699 to \$10,044,719, and federal sources revenue increased from \$363,665 to \$1,017,458. Budgetary changes were primarily a result of increased COVID-19-related state and federal funding. Other minor amendments within expenditures were related to allocating costs more appropriately between programs.

Final budget compared to actual results. The School District had no expenditures in excess of the amounts appropriated during the year ended June 30, 2021.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2021, the School District had \$31,249,328 invested in capital assets. This included a net decrease during the past fiscal year of \$982,244 consisting of depreciation charges of \$1,059,282 and capital asset additions of \$77,038.

More detailed information about the School District's capital assets can be found in the notes to the financial statements section of this document.

Long-term Debt

At year end, the School District had total long-term debt of \$29,813,116.

- The School District continued to pay down its debt, retiring \$1,040,750 of outstanding bonds during the year. The School District also amortized bond premium in the amount of \$30,292.
- The School District refunded a portion of the 2014 building and site bonds with the issuance of the 2021 refunding bonds. The refunding is expected to save the School District approximately \$4,193,121 over the course of the 2021 refunding bonds life with an economic gain of approximately \$3,344,381.

The State limits the amount of general obligation debt that schools can issue. The School District is under the State limit as of June 30, 2021.

More detailed information about the School District's long-term debt can be found in the notes to the financial statements section of this document.

Economic Factors and Next Year's Budget and Rates

Our elected officials and administration considered many factors when setting the School District's operating budgets. Two of the most important factors affecting the budget are the economic condition of the State of Michigan and our student count. State law requires the District to amend the budget if actual District resources are not sufficient to fund original appropriations. Since the District's revenue is primarily dependent on State Aid from the School Aid Fund and local property taxes, the actual revenue received by the District depends on the health of the District's tax base and the State's ability to collect revenue to fund its appropriations to school districts. Under State law, the School District cannot levy additional property tax revenue for general operations. The States foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil.

In the recent past, the State of Michigan has issued several executive orders prorating and reducing, mid-year, the State's funding commitment to the District. The School District's recent budgetary history reflects how it has made every effort over the past decade to prepare for and excel programmatically while meeting the challenges of the State's struggling economy. It is the intention of the School District to provide premium programming within a balanced operating budget environment. Additionally, administration and the Board of Education are currently working to determine the significance that the COVID-19 Pandemic will have on the School District's upcoming revenues and expenditures. The District is applying for further federal grants through Michigan Department of Education.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact:

Dr. Pamela Campbell, Superintendent - (517) 592-6641
Columbia School District
11775 Hewitt Road
Brooklyn, MI 493230

Basic Financial Statements

**Columbia School District
Statement of Net Position
June 30, 2021**

	Governmental Activities
ASSETS	
<i>Current Assets</i>	
Cash and investments	\$ 3,541,212
Accounts receivable	175,709
Due from other governmental units	1,787,583
Inventories	13,601
Total Current Assets	5,518,105
<i>Noncurrent Assets</i>	
Capital assets not being depreciated	23,700
Capital assets being depreciated, net	31,225,628
Total Assets	36,767,433
DEFERRED OUTFLOWS OF RESOURCES	
Charge on bond refunding	2,548,638
Pension related	6,931,502
OPEB related	2,320,488
Total Deferred Outflows of Resources	11,800,628
LIABILITIES	
<i>Current Liabilities</i>	
Accounts payable	125,444
Salaries payable	837,559
Accrued items	713,113
Accrued interest payable	71,120
Current portion of long-term debt	1,285,000
Total Current Liabilities	3,032,236
<i>Noncurrent Liabilities</i>	
Long-term debt	28,528,116
Compensated absences	143,433
Net pension liability	28,293,366
Net OPEB liability	4,508,675
Total Liabilities	64,505,826
DEFERRED INFLOWS OF RESOURCES	
Pension related	203,122
OPEB related	3,451,280
Total Deferred Inflows of Resources	3,654,402
NET POSITION	
Net investment in capital assets	3,984,850
<i>Restricted for:</i>	
Food services	390,361
Debt service	162,598
<i>Unrestricted</i>	(24,129,976)
Total Net Position	\$ (19,592,167)

The Notes to the Financial Statements are an integral part of these Financial Statements

**Columbia School District
Statement of Activities
For the Year Ended June 30, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 11,036,578	\$ 62,521	\$ 3,837,651	\$ --	\$ (7,136,406)
Supporting services	5,557,934	448,527	603,752	--	(4,505,655)
Community services	154,334	30,354	28,143	--	(95,837)
Food services	627,441	51,603	791,118	--	215,280
Building and site improvements	64,650	--	--	--	(64,650)
Depreciation (unallocated)	72,427	--	--	--	(72,427)
Interest on long-term debt	1,176,719	--	--	--	(1,176,719)
Bond issuance costs on long-term debt	663,050	--	--	--	(663,050)
Total Governmental Activities	\$ 19,353,133	\$ 593,005	\$ 5,260,664	\$ --	(13,499,464)

General Purpose Revenues:

Unrestricted state sources	7,279,345
Interest and investment earnings	829
Property taxes	6,611,275
Total General Revenues	13,891,449
Change in Net Position	391,985
<i>Net Position at Beginning of Period</i>	<i>(19,984,152)</i>
Net Position at End of Period	\$ (19,592,167)

The Notes to the Financial Statements are an integral part of these Financial Statements

**Columbia School District
Balance Sheet
Governmental Funds
June 30, 2021**

	<u>General</u>	<u>Debt Service</u> 2014 Debt Service	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 2,595,189	\$ 162,598	\$ 783,425	\$ 3,541,212
Accounts receivable	175,709	--	--	175,709
Due from other governmental units	1,783,753	--	3,830	1,787,583
Inventories	--	--	13,601	13,601
Due from other funds	43,379	--	--	43,379
Total Assets	\$ 4,598,030	\$ 162,598	\$ 800,856	\$ 5,561,484
LIABILITIES				
Accounts payable	\$ 57,731	\$ --	\$ 67,713	\$ 125,444
Salaries payable	837,559	--	--	837,559
Accrued items	700,019	--	13,094	713,113
Due to other funds	--	--	43,379	43,379
Total Liabilities	1,595,309	--	124,186	1,719,495
FUND BALANCE				
Nonspendable	--	--	13,601	13,601
Restricted	--	162,598	376,760	539,358
Committed	--	--	286,309	286,309
Unassigned	3,002,721	--	--	3,002,721
Total Fund Balance	3,002,721	162,598	676,670	3,841,989
Total Liabilities and Fund Balance	\$ 4,598,030	\$ 162,598	\$ 800,856	\$ 5,561,484

The Notes to the Financial Statements are an integral part of these Financial Statements

Columbia School District
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2021

Total Fund Balance - Governmental Funds	\$	3,841,989
General government capital assets of \$44,882,022, net of accumulated depreciation of \$13,632,694, are not financial resources and, accordingly, are not reported in the funds.		31,249,328
Accrued interest is not due and payable in the current period and, therefore, is not reported in the funds.		(71,120)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.		(143,433)
Net pension liability and related deferred amounts are not due and payable in the current period or do not represent current financial resources and, therefore, are not reported in the funds.		(21,564,986)
Other postemployment benefit liability and related deferred amounts are not due and payable in the current period or do not represent current financial resources and, therefore, are not reported in the funds.		(5,639,467)
Long-term liabilities, including premium on bonds, are not due and payable in the current period and, therefore, are not reported in the funds.		(29,813,116)
Deferred charges on refunding related to the issuance of long-term refunding debt will be amortized over the life of the debt on the statement of net position.		2,548,638
Total Net Position - Governmental Activities	\$	<u>(19,592,167)</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Columbia School District
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2021

	<u>General</u>	<u>Debt Service</u> 2014 Debt Service	<u>Other</u> Governmental Funds	<u>Total</u> Governmental Funds
Revenues				
Property taxes	\$ 4,697,942	\$ 1,913,333	\$ --	\$ 6,611,275
Other local sources	336,341	--	239,374	575,715
State sources	9,954,186	--	16,488	9,970,674
Federal sources	1,018,318	--	774,630	1,792,948
Interdistrict and other sources	793,677	--	--	793,677
Interest and investment earnings	322	96	411	829
Total Revenues	<u>16,800,786</u>	<u>1,913,429</u>	<u>1,030,903</u>	<u>19,745,118</u>
Expenditures				
Instruction	9,646,199	--	--	9,646,199
Supporting services	5,235,575	--	213,141	5,448,716
Community services	148,956	--	--	148,956
Food services	--	--	659,875	659,875
Debt service, principal	355,750	685,000	--	1,040,750
Debt service, interest	106,147	1,232,425	--	1,338,572
Debt service, bond issuance costs	--	663,050	--	663,050
Building and site improvements	88,060	--	--	88,060
Total Expenditures	<u>15,580,687</u>	<u>2,580,475</u>	<u>873,016</u>	<u>19,034,178</u>
Excess of Revenues Over (Under) Expenditures	<u>1,220,099</u>	<u>(667,046)</u>	<u>157,887</u>	<u>710,940</u>
Other Financing Sources (Uses)				
Refunding bonds issued	--	26,470,000	--	26,470,000
Premium on refunding bonds issued	--	421,688	--	421,688
Transfers in	43,658	--	--	43,658
Payment to refunding bond escrow agent	--	(26,228,638)	--	(26,228,638)
Transfers out	--	--	(43,658)	(43,658)
Net Other Financing Sources (Uses)	<u>43,658</u>	<u>663,050</u>	<u>(43,658)</u>	<u>663,050</u>
Net Change in Fund Balance	<u>1,263,757</u>	<u>(3,996)</u>	<u>114,229</u>	<u>1,373,990</u>
Fund Balance at Beginning of Period	<u>1,738,964</u>	<u>166,594</u>	<u>562,441</u>	<u>2,467,999</u>
Fund Balance at End of Period	<u>\$ 3,002,721</u>	<u>\$ 162,598</u>	<u>\$ 676,670</u>	<u>\$ 3,841,989</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Columbia School District
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2021

Total Net Change in Fund Balances - Governmental Funds	\$	1,373,990
<p>Governmental funds report capital outlay as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation and expensed. This represents the amount by which depreciation expense of \$1,059,282 exceeds capital additions of \$77,038.</p>		
		(982,244)
<p>Repayment of bond principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position.</p>		
		1,040,750
<p>In the statement of activities, interest and bond discounts and premiums are accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due. This represents the current year change in accrued interest and amortization of bond premiums and discounts. In addition, the amortization of the deferred charge on bond refundings is included.</p>		
		161,853
<p>Change to compensated absences are not shown in the fund financial statements. This amounts represents the change in compensated absences during the current year.</p>		
		(2,668)
<p>The statement of activities reports changes to net pension liability and pension related deferrals as pension expense; however, the expenditures recorded on the governmental funds equals actual pension contributions.</p>		
		(1,230,299)
<p>The statement of activities reports changes to net OPEB liability and OPEB related deferrals as OPEB expense; however, the expenditures recorded on the governmental funds equals actual OPEB contributions.</p>		
		693,653
<p>Issuance of long-term debt are other financing sources in the governmental funds, but the issuance increases long-term liabilities in the statement of net position. Payment to refunding bond escrow agent are other financing uses in the governmental funds, but the payment decreases long-term liabilities in the statement of net position. The difference between the refunding bond issuance and payment to refunding bond escrow agent is other financing uses in the governmental funds, but the difference increases deferred charges on bond refunding in the statement of net position.</p>		
		(663,050)
Changes in Net Position - Governmental Activities	\$	<u>391,985</u>

The Notes to the Financial Statements are an integral part of these Financial Statements

Columbia School District
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2021

	Private Purpose Trust
	Private Purpose Trust
ASSETS	
Cash and investments	\$ 44,988
<i>Total Assets</i>	44,988
LIABILITIES	
<i>Total Liabilities</i>	--
NET POSITION	
Restricted for scholarships	\$ 44,988

The Notes to the Financial Statements are an integral part of these Financial Statements

Columbia School District
Statement of Change in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2021

	Private Purpose Trust
Additions	
Interest and investment earnings	\$ 981
<i>Total Additions</i>	981
Deductions	
<i>Total Deductions</i>	--
<i>Change in Net Position</i>	981
<i>Net Position at Beginning of Period</i>	44,007
<i>Net Position at End of Period</i>	\$ 44,988

The Notes to the Financial Statements are an integral part of these Financial Statements

Notes to the Financial Statements

Columbia School District

Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Columbia School District (the “School District” or “government”) conform to generally accepted accounting principles as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District’s significant accounting policies are described below.

Reporting Entity

The financial reporting entity consists of a primary government and is governed by an elected seven-member Board of Education. The School District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the School District for financial statement presentation purposes, and the School District is not included in any other governmental reporting entity. The School District does not contain any component units.

District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. The School District reports all of its activities as *governmental activities*, which normally are supported by taxes and intergovernmental revenues.

The *statement of activities* demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Fiduciary funds also use the accrual basis of accounting, but do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are

Columbia School District

Notes to the Financial Statements

recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, or one year for reimbursement-based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues susceptible to accrual are property taxes, state aid, federal and inter-district revenues, and interest income and, accordingly, have been recognized as revenues of the current fiscal year. Other revenues are recognized when received.

The School District reports the following major fund:

The *general fund* is the general operating fund of the School District. It is used to account for all financial resources, except those required to be accounted for in another fund.

The *2014 debt service fund* is used to account for the accumulation of resources for, and the payment of, long-term debt (bonds, notes, loans, and leases) principal, interest, and related costs.

Additionally, the School District reports the following fund types:

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

Fiduciary funds account for a trust fund, the Disbrow Scholarship Fund, which is a private purpose trust fund maintained to record the segregated monies restricted for scholarships and the related transactions for distributions of awards.

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and State law for the general fund and special revenue funds. Annual appropriations lapse at fiscal year-end.

Columbia School District

Notes to the Financial Statements

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations for the general fund, if any, are noted in the required supplementary information section.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to fiscal year-end.

State Revenue

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a State-wide formula. The foundation allowance is funded from a combination of State and local sources. Revenues from State sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of State funds to school districts based on information supplied by the districts. For the year ended June 30, 2021, the foundation allowance was based on pupil membership counts taken in October 2020 and February 2021.

The State portion of the foundation is provided primarily by a State education property tax millage of six mills on Principal Residence Exemption (PRE) property and an allocated portion of State sales and other taxes. The local portion of the foundation is funded primarily by non-PRE property (non-homestead) taxes which may be levied at a rate of up to 18 mills plus 6 mills on Commercial Personal Property. The State revenue is recognized during the foundation period and is funded

Columbia School District

Notes to the Financial Statements

through payments from October to August of each year. Thus, the unpaid portion at June 30 is reported as due from other governmental units.

The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the State of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year, are recorded as unearned revenue. Other categorical funding is recognized when the appropriation is received.

Property Taxes

Property taxes levied by the School District are collected by various municipalities and periodically remitted to the School District. The taxes are levied and become a lien as of December 1 and are due upon receipt of the billing by the taxpayer and becomes a lien on the first day of the levy year. The actual due date is February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity. Assessed values are established annually by the various governmental units within the School District and are equalized by the State of Michigan. For the year ended June 30, 2021, the School District levied the following amounts per \$1,000 of assessed valuation:

General fund – Non-principal residence	18.000 mills
Debt funds – all taxable values	2.800 mills

Assets, Deferred Outflows/Inflows of Resources, Liabilities, and Fund Equity

Cash and Cash Equivalents

The School District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes and School District policy authorize the School District to invest in:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

Columbia School District

Notes to the Financial Statements

- Bankers' acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions, that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

Investments

Investments are stated at fair market value. Investments are exposed to various risks, such as significant external events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of net position.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year and all other outstanding balances between funds are referred to as "due to/from other funds" (i.e., the current portion of interfund loans). All receivables are shown net of an allowance for uncollectibles, as applicable. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. No amounts have been deemed uncollectable during the current year.

Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of food commodities and related supplies.

Capital Assets

Capital assets, which include land, buildings and improvements, buses and other vehicles, and furniture and equipment, are reported in the district-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at acquisition value at the date of donation.

Columbia School District

Notes to the Financial Statements

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	20-50
Buses and other vehicles	10
Furniture and equipment	7-10

Pension

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 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.

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.

Deferred Outflows of Resources

In addition to assets, the statement of net 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. The School District has three items that qualify for reporting in this category. They are the pension and other postemployment benefits related items reporting in the district-wide statement of net position and charges on bond refunding. These amounts are expensed in the year in which they apply.

Columbia School District

Notes to the Financial Statements

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The School District has two items that qualify for reporting in this category. They are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary.

Salaries Payable and Accrued Employee Benefits

A liability is recorded at June 30 for those amounts owed to teachers and other employees of the School District who do not work during the summer when school is not in session but have elected to have their salaries paid over an entire year. This has the effect of properly charging their salaries to expenditures in the fiscal year in which their services are received, even though they are not paid until July and August of the following fiscal year.

The liability for accrued retirement and the employer share of FICA related to the salaries payable has been recorded as has the liability for the employee health insurance premiums for the months of July and August. The School District pays these insurances for this period as part of the compensation for services rendered in the preceding school year.

Compensated Absences

School District employees are granted vacation and sick leave in varying amounts based on length of service. Unused vacation time and sick leave accumulate from year to year at varying rates, depending on the employees' applicable rate of pay and/or employment category. The liability for compensated absences includes salary-related payments. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bond issuance costs are recorded as a period expense. Bonds payable are reported at the total amount of bonds issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported

Columbia School District

Notes to the Financial Statements

as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Net Position Flow Assumption

Sometimes the School District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the School District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumptions

Sometimes the School District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the School District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The School District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The *committed fund balance* classification includes amounts that can be used only for the specific purposes determined by a formal action of the School District's highest level of decision-making authority. The Board of Education is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Columbia School District

Notes to the Financial Statements

Amounts in the *assigned fund balance* classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as committed. The Board of Education can assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance is the residual classification for the School District's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Board of Education.

Use of Estimates

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

Note 2 - Stewardship, Compliance and Accountability

Michigan law provides that a local unit shall not incur expenditures in excess of the amount appropriated. The School District's actual expenditures and budgeted expenditures for the budgeted funds have been shown at the department level. The approved budgets of the School District for these budgeted funds were also adopted at the department level.

Excess of Expenditures Over Appropriations in Budgeted Funds

The School District had no expenditures in excess of the amounts appropriated during the year ended June 30, 2021.

District-wide Deficits

The School District has an unrestricted net position deficit and a total net position deficit for District-wide activities in the amount of \$(24,129,976) and \$(19,592,167), respectively, as of June 30, 2021.

Columbia School District

Notes to the Financial Statements

Note 3 - Cash and Investments

The School District maintains pooled and individual fund demand deposits, certificates of deposit, and short-term investment accounts.

Following is a reconciliation of deposit and investment balances as of June 30, 2021:

Statement of net position	
Cash and investments	\$ 3,541,212
Statement of fiduciary net position	
Cash and investments	44,988
Total cash and investments	\$ 3,586,200
Deposits and investments	
Checking and savings accounts	\$ 3,372,556
Investments	213,644
Total deposits and investments	\$ 3,586,200

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits might not be returned. State law does not require, and the School District does not have a policy for deposit custodial credit risk. As of year-end, \$2,894,970 of the School District's bank balance of \$3,394,970 was exposed to custodial credit risk because it was uninsured and uncollateralized. Due to the dollar amounts of cash deposits and the limits of FDIC insurance, the School District believes it is impractical to insure all bank deposits. As a result, the School District evaluates each financial institution with which it deposits School District funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. In order to minimize this risk, School District policy limits the types of investments and pre-qualifies financial institutions. As of June 30, 2021, none of the School District's investments were exposed to risk since the securities are held in the School District's name by the counterparty.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The School District's investment policy does not have specific limits in excess of state law on investment credit risk.

Columbia School District

Notes to the Financial Statements

Credit risk ratings, where applicable, are summarized as follows:

<u>Rating Agency</u>	<u>Rating</u>	<u>FMV</u>
Not rated	N/A	\$ 175,521
S&P	AA	38,123
		<u>\$ 213,644</u>

Interest Rate Risk. Interest rate risk is the risk that the market rate of securities in the portfolio will fall due to changes in market interest rates. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The School District's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Following is a schedule of the School District's investments and their applicable maturities:

<u>Maturity</u>	<u>Amount</u>
No maturity	\$ 175,521
Due within 1 - 5 years	38,123
	<u>\$ 213,644</u>

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the School District's investment in a single issuer. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The School District's investment policy does not limit investments in a single financial institution of a single security type (with the exception of U.S. treasuries and agencies and authorized pools) to a % of the total investment portfolio. All investments held at year end are reported above.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which requires an entity to maximize the use of observable and minimize the use of unobservable inputs.

There are three levels of inputs that may be used to measure fair value:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest

Columbia School District

Notes to the Financial Statements

rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

As of June 30, 2021 the fair value measurements of investments and cash equivalents were as follows:

Investment type	Level 1	Level 2	Level 3	Total
Municipal bonds	\$ 38,123	\$ -	\$ -	\$ 38,123
Pooled investments	-	175,521	-	175,521
Total investments	\$ 38,123	\$ 175,521	\$ -	\$ 213,644

Note 4 - Interfund Receivables, Payables, and Transfers

Interfund balances at June 30, 2021 consisted of fund receivables and payables listed below:

Receivable Fund	Payable Fund	Amount
General	Food service	\$ 43,379

Interfund balances resulted primarily from the time lag between the dates that: 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The following schedule summarizes operating transfers during the year:

Transfers In	Transfers Out	Amount
General	Food service	\$ 43,658

Interfund transfers are used to: 1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; 2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and 3) use unrestricted revenues collected to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Columbia School District

Notes to the Financial Statements

Note 5 - State of Michigan School Aid

The School District reports State of Michigan school aid in the fiscal year in which the School District is entitled to the revenue as provided by State of Michigan School aid appropriation acts. State funding provided approximately 50.5% of the total revenues to the School District during the June 30, 2021 fiscal year.

Note 6 - Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 23,700	\$ -	\$ -	\$ 23,700
Construction in progress	344,690	-	(344,690)	-
<i>Subtotal</i>	368,390	-	(344,690)	23,700
Capital assets being depreciated:				
Buildings and improvements	43,457,675	-	-	43,457,675
Buses and other vehicles	138,712	-	-	138,712
Furniture and equipment	840,207	421,728	-	1,261,935
<i>Subtotal</i>	44,436,594	421,728	-	44,858,322
Less accumulated depreciation:				
Buildings and improvements	(11,867,558)	(967,182)	-	(12,834,740)
Buses and other vehicles	(107,109)	(14,516)	-	(121,625)
Furniture and equipment	(598,745)	(77,584)	-	(676,329)
<i>Subtotal</i>	(12,573,412)	(1,059,282)	-	(13,632,694)
<i>Capital assets being depreciated, net</i>	31,863,182	(637,554)	-	31,225,628
Capital assets, net	\$ 32,231,572	\$ (637,554)	\$ (344,690)	\$ 31,249,328

Depreciation expense was charged to activities of the School District as follows:

Governmental activities:	
Instruction	\$ 942,736
Supporting services	31,175
Food services	12,944
Unallocated	72,427
	\$ 1,059,282

Note 7 - Long-term Obligations

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment.

Columbia School District

Notes to the Financial Statements

General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences.

General obligation bonds and loans consist of:

\$29,875,000 serial bonds, due in annual installments of \$580,000 to \$1,755,000 through May 1, 2043; interest at 4.0% to 5.0%	\$ 2,255,000
\$26,470,000 serial bonds due in annual installments of \$125,000 to \$1,655,000 through May 1, 2043; interest semi-annual at 2.25% to 2.60%	26,470,000
Total long-term debt	\$ 28,725,000

The following is a summary of the changes in long-term obligations (including current portion) of the School District for the year ended June 30, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds					
2005 energy bonds	\$ 95,000	\$ -	\$ (95,000)	\$ -	\$ -
2014 building and site bonds	26,620,000	-	(24,365,000)	2,255,000	720,000
2018 installment purchase agreement	260,750	-	(260,750)	-	-
2021 refunding bonds	-	26,470,000	-	26,470,000	565,000
Bonds premium	696,720	421,688	(30,292)	1,088,116	-
Total general obligation bonds	\$ 27,672,470	\$ 26,891,688	\$(24,751,042)	\$ 29,813,116	\$ 1,285,000
Deferred charge on bond refunding	\$ -	\$ 2,548,638	\$ -	\$ 2,548,638	\$ -
Compensated absences	\$ 140,765	\$ 2,668	\$ -	\$ 143,433	\$ -

Annual debt service requirements, exclusive of compensated absences and bonds premium, for long-term debt outstanding as of June 30, 2021 follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 1,285,000	\$ 682,012	\$ 1,967,012
2023	875,000	681,675	1,556,675
2024	955,000	641,363	1,596,363
2025	1,035,000	598,288	1,633,288
2026	1,105,000	575,000	1,680,000
2027-2031	5,995,000	2,487,100	8,482,100
2032-2036	6,700,000	1,781,500	8,481,500
2037-2041	7,510,000	977,590	8,487,590
2042-2043	3,265,000	127,115	3,392,115
	\$ 28,725,000	\$ 8,551,642	\$ 37,276,642

Columbia School District

Notes to the Financial Statements

2021 Refunding Bonds

On December 14, 2020, the School District issued refunding bonds for \$26,470,000 known as the 2021 Refunding Bonds (General Obligation – Unlimited Tax). The proceeds were used to retire a significant portion of the 2014 School Building and Site Bonds, which are callable on November 1, 2023. The refunding is expected to save the School District approximately \$4,193,121 over the course of the 2021 refunding bonds life with an economic gain of approximately \$3,344,381.

Defeased Debt

During 2021, the School District advance refunded \$23,680,000 of 2014 School Building and Site Bonds. Resources to purchase U.S. government securities were placed in an escrow fund for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the liability for the bonds was removed from the statement of net position. As of June 30, 2021, \$23,680,000 remains in escrow for the payment of these bonds through 2023. Therefore, the bonds in the amount of \$23,680,000 are considered defeased at year-end.

Note 8 - Leases

The District leases its buses, and expenditures for the leases totaled \$274,660 included as pupil transportation in support services. These leases were amended for the fiscal year 19/20 with similar terms including lease costs for twenty buses of \$13,733 per bus. The District is responsible for insurance, maintenance, and operation costs. Mileage allowance is set at 15,000 miles per year for each bus with additional charges of \$.25 per mile over the allowance. Future minimum lease payments for the fiscal year ended June 30, 2022 are approximately \$274,660.

Note 9 - Federal and State Grants

The District has received federal and State grants for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowance under terms of the grants, management believes that any required reimbursements would not be material.

Note 10 - Pension Plan

Plan Description

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

Columbia School District

Notes to the Financial Statements

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 at 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 percent to 1.50 percent. 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

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, 2019 valuation will be amortized over a 19-year period beginning October 1, 2019 and ending September 30, 2038.

Columbia School District

Notes to the Financial Statements

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2020.

Benefit Structure	Member	Non-Universities
Basic	0.0 - 4.0%	19.41%
Member investment plan	3.0 - 7.0%	19.41%
Pension plus	3.0 - 6.4%	16.46%
Pension plus 2	6.2%	19.59%
Defined contribution	0.0%	13.39%

Required contributions to the pension plan from the School District were \$2,263,505 for the year ended September 30, 2020.

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

At June 30, 2021, the School District reported a liability of \$28,293,366 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2019. The School District'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, 2020, the School District's proportion was 0.08237%, which was an increase of 0.00249% from its proportion measured as of September 30, 2019.

For the year ending June 30, 2021, the School District recognized pension expense of \$4,481,165. At June 30, 2021, the School District 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 actual and expected experience	\$ 432,299	\$ 60,388
Changes of assumptions	3,135,178	
Net difference between projected and actual earnings on pension plan investments	118,876	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	622,236	142,734
Employer contributions subsequent to the measurement date	2,622,913	-
Total	\$ 6,931,502	\$ 203,122

Columbia School District

Notes to the Financial Statements

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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year Ended	
September 30	Amount:
2021	\$ 1,791,043
2022	1,279,606
2023	769,357
2024	265,461

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.

Columbia School District

Notes to the Financial Statements

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2019
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP and Basic Plans:	6.80%, net of investment expenses
- Pension Plus Plan:	6.80%, net of investment expenses
- Pension Plus 2 Plan:	6.00%, net of investment expenses
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	
Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2020 is based on the results of an actuarial valuation date of September 30, 2019 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: 4.4892
- Recognition period for assets in years: 5.0000
- Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

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

Columbia School District

Notes to the Financial Statements

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, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Domestic equity pools	25.0%	5.6%
Private equity pools	16.0	9.3
International equity pools	15.0	7.4
Fixed income pools	10.5	0.5
Real estate and infrastructure pools	10.0	4.9
Absolute return pools	9.0	3.2
Real return/opportunistic pools	12.5	6.6
Short-term investment pools	2.0	0.1
Total	100.0%	

**Long-term rates of return are net of administrative expenses and 2.30% inflation.*

Rate of Return

For the fiscal year ended September 30, 2020, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 5.37%. 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 6.80% was used to measure the total pension liability (6.8% for the Pension Plus plan, 6.0% for the Pension Plus 2 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 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 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.

Columbia School District

Notes to the Financial Statements

Sensitivity of the School District’s proportionate share of the net pension liability to changes in the discount rate

The following presents the School District’s proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.80% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan)), as well as what the School District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease (Non-Hybrid/Hybrid)	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid)	1% Increase (Non-Hybrid/Hybrid)
5.80% / 5.80% / 5.00%	6.80% / 6.80% / 6.00%	7.80% / 7.80% / 7.00%
\$36,620,963	\$28,293,366	\$21,391,645

* Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2. Non-university employers provide Basic, MIP, Pension Plus and Pension Plus 2 plans. University employers provide only the Basic and MIP plans.

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

Detailed information about the pension plan’s fiduciary net position is available in the separately issued 2020 MPERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Note 11 - Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

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

The System’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.

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Notes to the Financial Statements

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, 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.

Columbia School District

Notes to the Financial Statements

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, 2019 valuation will be amortized over a 19-year period beginning October 1, 2019 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2020.

<u>Benefit Structure</u>	<u>Member</u>	<u>Non-Universities</u>
Premium subsidy	3.00%	8.09%
Personal healthcare fund (PHF)	0.00%	7.57%

Required contributions to the OPEB plan from the School District were \$594,611 for the year ended September 30, 2020.

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

At June 30, 2021, the School District reported a liability of \$4,508,675 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 30, 2019. The School District'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, 2020, the School District's proportion was 0.08416%, which was an increase of 0.00290% from its proportion measured as of September 30, 2019.

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Notes to the Financial Statements

For the year ending June 30, 2021, the School District recognized OPEB expense of \$(83,773). At June 30, 2021, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ 3,359,385
Changes of assumptions	1,486,600	-
Net difference between projected and actual earnings on pension plan investments	37,630	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	331,069	91,895
Employer contributions subsequent to the measurement date	465,189	-
Total	\$ 2,320,488	\$ 3,451,280

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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Plan Year Ended September 30	Amount:
2021	\$ (457,461)
2022	(405,645)
2023	(311,565)
2024	(227,277)
2025	(194,033)

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.

Columbia School District

Notes to the Financial Statements

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2019
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.95%, net of investment expenses
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	7.0% Year 1 graded to 3.5% Year 15; 3.0% Year 120
Mortality:	
Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Other Assumptions:	
Opt-Out Assumption	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 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2020 is based on the results of an actuarial valuation date of September 30, 2019 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: 5.6018
- Recognition period for assets in years: 5.0000
- Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Columbia School District

Notes to the Financial Statements

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, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Domestic equity pools	25.0%	5.6%
Private equity pools	16.0	9.3
International equity pools	15.0	7.4
Fixed income pools	10.5	0.5
Real estate and infrastructure pools	10.0	4.9
Absolute return pools	9.0	3.2
Real return/opportunistic pools	12.5	6.6
Short-term investment pools	2.0	0.1
<i>Total</i>	100.0%	

*Long-term rates of return are net of administrative expenses and 2.10% inflation.

Rate of Return

For the fiscal year ended September 30, 2020, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 5.24%. 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 6.95% 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 6.95%. 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

Columbia School District

Notes to the Financial Statements

to determine the total OPEB liability.

Sensitivity of the School District's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 6.95%, as well as what the School District's 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 point higher:

1% Decrease	Current Discount Rate	1% Increase
5.95%	6.95%	7.95%
\$5,791,906	\$4,508,675	\$3,428,303

Sensitivity of the School District's proportionate share of the net OPEB liability to Healthcare Cost Trend Rate

The following presents the School District's proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the School District's 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
\$3,386,937	\$4,508,675	\$5,784,514

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2020 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Note 12 - Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims and for claims relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

Columbia School District

Notes to the Financial Statements

Note 13 - Tax Abatements

The School District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities.

For the fiscal year ended June 30, 2021, the School District's operating property tax revenues were reduced by \$3,885 and the debt service property tax revenues were reduced by \$604 under these programs. Operating revenues not paid to the District because of tax abatement agreements are reimbursed to the District by the State of Michigan through the per-pupil foundation allowance.

Note 14 - Subsequent Events

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted millions of individuals in the United States and worldwide. In response, the United States federal government and individual state and local governments have implemented measures to combat the outbreak that have impacted business operations. During the 2020-2021 fiscal year, the School District's operations were significantly impacted, as shelter-in-place orders and government mandates impacted census volumes. The School District has moved to mitigate the impact by managing the workforce, actively managing cash balances, and implementing other cost reduction measures.

Required Supplementary Information

Columbia School District
Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended June 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance
	<u>Original</u>	<u>Final</u>		Positive (Negative)
				Final to Actual
Revenues				
Local sources	\$ 4,770,372	\$ 5,055,837	\$ 5,034,283	\$ (21,554)
State sources	8,652,699	10,044,719	9,954,186	(90,533)
Federal sources	363,665	1,017,458	1,018,318	860
Interdistrict and other sources	711,118	657,000	793,677	136,677
Interest and investment earnings	--	--	322	322
Total Revenues	<u>14,497,854</u>	<u>16,775,014</u>	<u>16,800,786</u>	<u>25,772</u>
Other Financing Sources				
Transfers in	--	--	43,658	43,658
Total Revenues and Other Financing Sources	<u>14,497,854</u>	<u>16,775,014</u>	<u>16,844,444</u>	<u>69,430</u>
Expenditures				
Instruction				
Basic programs	7,444,289	8,025,452	7,800,567	224,885
Added needs	1,683,647	1,744,246	1,678,655	65,591
Adult and continuing education	94,057	191,146	166,977	24,169
Total instruction	<u>9,221,993</u>	<u>9,960,844</u>	<u>9,646,199</u>	<u>314,645</u>
Supporting services				
Pupil	353,370	369,161	369,272	(111)
Instruction Staff	294,947	541,774	484,187	57,587
General administration	413,109	520,495	452,147	68,348
School administration	848,670	944,471	908,573	35,898
Business services	270,109	307,755	293,626	14,129
Operations and maintenance	1,628,338	1,892,093	1,579,998	312,095
Pupil transportation	897,950	845,623	784,692	60,931
Central services	24,677	29,723	24,452	5,271
Athletic activities	410,297	428,700	338,628	90,072
Total supporting services	<u>5,141,467</u>	<u>5,879,795</u>	<u>5,235,575</u>	<u>644,220</u>
Community services	181,652	172,345	148,956	23,389
Debt service	189,303	462,398	461,897	501
Building and site improvements	--	340,385	88,060	252,325
Total Expenditures	<u>14,734,415</u>	<u>16,815,767</u>	<u>15,580,687</u>	<u>1,235,080</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	<u>(236,561)</u>	<u>(40,753)</u>	<u>1,263,757</u>	<u>1,304,510</u>
Net Change in Fund Balance	<u>(236,561)</u>	<u>(40,753)</u>	<u>1,263,757</u>	<u>1,304,510</u>
Fund Balance at Beginning of Period	1,738,964	1,738,964	1,738,964	--
Fund Balance at End of Period	<u>\$ 1,502,403</u>	<u>\$ 1,698,211</u>	<u>\$ 3,002,721</u>	<u>\$ 1,304,510</u>

Columbia School District
Schedule of School District's Proportionate Share of Net Pension Liability
Michigan Public School Employee Retirement Plan
Last Seven Fiscal Years (Amounts were determined as of September 30 of each fiscal year)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Portion of Net Pension Liability (%)	0.08237%	0.07987%	0.07965%	0.08088%	0.07890%	0.07370%	0.06907%
School District's Proportionate Share of Net Pension Liability	\$ 28,293,366	\$ 26,451,030	\$ 23,943,128	\$ 20,959,742	\$ 19,692,402	\$ 18,001,450	\$ 15,213,653
School District's Covered Payroll	\$ 7,515,337	\$ 7,139,511	\$ 6,763,315	\$ 6,787,069	\$ 6,875,410	\$ 6,282,114	\$ 5,949,287
School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	376.48%	370.49%	354.01%	308.82%	286.42%	286.55%	255.72%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

Columbia School District
Schedule of School District's Pension Contributions
Michigan Public School Employee Retirement Plan
Last Seven School District Fiscal Years (Amounts determined as of June 30 of each year)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily Required Contributions	\$ 2,263,505	\$ 2,121,839	\$ 2,168,787	\$ 1,897,092	\$ 1,772,415	\$ 1,773,903	\$ 1,354,250
Contributions in Relation to Statutorily Required Contributions	<u>2,263,505</u>	<u>2,121,839</u>	<u>2,168,787</u>	<u>1,897,092</u>	<u>1,772,415</u>	<u>1,773,903</u>	<u>1,354,250</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 7,602,207	\$ 7,488,190	\$ 7,033,037	\$ 6,713,636	\$ 6,802,121	\$ 6,501,000	\$ 6,238,072
Contributions as a Percentage of Covered Payroll	29.77%	28.34%	30.84%	28.26%	26.06%	27.29%	21.71%

Columbia School District
Schedule of School District's Proportionate Share of Net OPEB Liability
Michigan Public School Employee Retirement Plan
Last Four Fiscal Years (Amounts were determined as of September 30 of each fiscal year)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's Portion of Net OPEB Liability (%)	0.08416%	0.08126%	0.07920%	0.08099%
School District's Proportionate Share of Net OPEB Liability	\$ 4,508,675	\$ 5,832,383	\$ 6,295,247	\$ 7,172,218
School District's Covered Payroll	\$ 7,515,337	\$ 7,139,511	\$ 6,763,315	\$ 6,787,069
School District's Proportionate Share of Net OPEB Liability as a Percentage of its Covered Payroll	59.99%	81.69%	93.08%	105.67%
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	59.44%	48.46%	42.95%	36.39%

Columbia School District
Schedule of School District's OPEB Contributions
Michigan Public School Employee Retirement Plan
Last Four School District Fiscal Years (Amounts determined as of June 30 of each year)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily Required Contributions	\$ 594,611	\$ 557,913	\$ 514,058	\$ 630,556
Contributions in Relation to Statutorily Required Contributions	<u>594,611</u>	<u>557,913</u>	<u>514,058</u>	<u>630,556</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 7,602,207	\$ 7,488,190	\$ 7,033,037	\$ 6,713,636
Contributions as a Percentage of Covered Payroll	7.82%	7.45%	7.31%	9.39%

Combining and Individual Fund Statements and Schedules

**Columbia School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2021**

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Food Service</u>	<u>Student Activity</u>	
ASSETS			
Cash and investments	\$ 489,760	\$ 293,665	\$ 783,425
Due from other governmental units	3,830	--	3,830
Inventories	13,601	--	13,601
<i>Total Assets</i>	<u>\$ 507,191</u>	<u>\$ 293,665</u>	<u>\$ 800,856</u>
LIABILITIES			
Accounts payable	\$ 60,357	\$ 7,356	\$ 67,713
Accrued items	13,094	--	13,094
Due to other funds	43,379	--	43,379
<i>Total Liabilities</i>	<u>116,830</u>	<u>7,356</u>	<u>124,186</u>
FUND BALANCE			
Nonspendable	13,601	--	13,601
Restricted	376,760	--	376,760
Committed	--	286,309	286,309
Unassigned	--	--	--
<i>Total Fund Balance</i>	<u>390,361</u>	<u>286,309</u>	<u>676,670</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 507,191</u>	<u>\$ 293,665</u>	<u>\$ 800,856</u>

Columbia School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2021

	<u>Special Revenue</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Food Service</u>	<u>Student Activity</u>	
Revenues			
Other local sources	\$ 51,603	\$ 187,771	\$ 239,374
State sources	16,488	--	16,488
Federal sources	774,630	--	774,630
Interest and investment earnings	411	--	411
<i>Total Revenues</i>	<u>843,132</u>	<u>187,771</u>	<u>1,030,903</u>
Expenditures			
Supporting services	--	213,141	213,141
Food services	659,875	--	659,875
<i>Total Expenditures</i>	<u>659,875</u>	<u>213,141</u>	<u>873,016</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>183,257</u>	<u>(25,370)</u>	<u>157,887</u>
Other Financing (Uses)			
Transfers out	(43,658)	--	(43,658)
<i>Net Other Financing (Uses)</i>	<u>(43,658)</u>	<u>--</u>	<u>(43,658)</u>
<i>Net Change in Fund Balance</i>	139,599	(25,370)	114,229
<i>Fund Balance at Beginning of Period</i>	250,762	311,679	562,441
<i>Fund Balance at End of Period</i>	<u>\$ 390,361</u>	<u>\$ 286,309</u>	<u>\$ 676,670</u>

**COLUMBIA SCHOOL DISTRICT
BROOKLYN, MICHIGAN
SINGLE AUDIT COMPLIANCE
YEAR ENDED JUNE 30, 2021**

Columbia School District
Schedule of Expenditures of Federal Awards
June 30, 2021

<i>Federal Grantor / Pass-through Grantor / Program / Project Number</i>	<i>Federal CFDA Number</i>	<i>Program or Award Amount</i>	<i>Prior Year Expenditures (Memorandum Only)</i>	<i>Accrued Revenue at July 1, 2020</i>	<i>Current Year Receipts</i>	<i>Current Year Expenditures</i>	<i>Accrued Revenue at June 30, 2021</i>
U.S. Department of Agriculture:							
<i>Passed Through Michigan Department of Education:</i>							
Child Nutrition Cluster:							
COVID-19 200902 National School Lunch Program	10.555	\$ -	\$ -	\$ 14,661	\$ 14,661	\$ -	\$ -
210900 SFSP	10.559	86,605	-	-	86,605	86,605	-
210904 SFSP	10.559	648,618	-	-	648,618	648,618	-
Non-cash Assistance (USDA Commodities Bonus)	10.555	251	-	-	251	251	-
Non-cash Assistance (USDA Commodities)	10.555	37,651	-	-	37,651	37,651	-
Total Child Nutrition Cluster		773,125	-	14,661	787,786	773,125	-
211920 CACFP Meals	10.558	1,505	-	-	1,505	1,505	-
Total U.S. Department of Agriculture		774,630	-	14,661	789,291	774,630	-
U.S. Department of Education:							
<i>Passed Through Michigan Department of Education:</i>							
Title I, Part A - Educationally Deprived							
211530 2021	84.010	194,058	15,967	-	178,091	194,058	15,967
Total Title I, Part A		194,058	15,967	-	178,091	194,058	15,967
Title II, Part A - Improving Teacher Quality State Grants							
210520 2021	84.367	39,752	3,874	-	30,257	31,570	1,313
Total Title II, Part A		39,752	3,874	-	30,257	31,570	1,313
Title IV, Part A - Student Support and Academic Enrichment							
210750 2021	84.424	14,390	-	-	14,390	14,390	-
Total Title IV, Part A		14,390	-	-	14,390	14,390	-
ESSER - Formula/Education Equity							
COVID-19 203710 1920	84.425	162,541	-	-	106,937	162,541	55,604
COVID-19 203720 1920	84.425	11,078	-	-	-	11,078	11,078
Total ESSER		173,619	-	-	106,937	173,619	66,682
COVID 19 - Coronavirus Relief Funds							
COVID-19 CRF 103(2) 1920	21.019	18,605	-	-	18,605	18,605	-
COVID-19 CRF 11p 1920	21.019	528,546	-	-	528,546	528,546	-
Total Coronavirus Relief Funds		547,151	-	-	547,151	547,151	-
Total Passed Through Michigan Department of Education		1,743,600	19,841	14,661	1,666,117	1,735,418	83,962
<i>Passed Through Jackson County Intermediate School District:</i>							
Title III, Part A - English Language Acquisition State Grants							
09320 2021 McKinney - Vinto Homeless	84.196A	3,020	-	-	3,020	3,020	-
Covid 19 - Coronavirus Relief Funds							
COVID-19 MiConnect - 20-21 MAISA	21.019	22,546	-	-	22,546	22,546	-
Total U.S. Department of Education		994,536	19,841	-	902,392	986,354	83,962
U.S. Department of Health and Human Services:							
COVID-19 2020-21 Child Dev. and Care Block - CARES - Direct							
93.575	93.575	4,243	-	-	4,243	4,243	-
<i>Passed Through Jackson County Intermediate School District:</i>							
20-21 Medicaid Outreach							
93.778	93.778	3,821	-	-	3,821	3,821	-
Total U.S. Department of Health and Human Services		8,064	-	-	8,064	8,064	-
Total Federal Financial Assistance		\$ 1,777,230	\$ 19,841	\$ 14,661	\$ 1,699,747	\$ 1,769,048	\$ 83,962

See Notes to the Schedule of Expenditures of Federal Awards

Columbia School District

Notes to the Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Columbia School District (the "District") under programs of the federal government for the year ended June 30, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the District's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where applicable and have been identified in the Schedule.

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been included and all grant requirements have been met.

The Schedule has been arranged to provide information on both the actual cash received and the revenue recognized. Accordingly, the effects of accruals of accounts receivable, unearned revenue, and accounts payable items at both the beginning and the end of the fiscal year have been reported.

Expenditures are in agreement with amounts reported in the financial statements and the grant financial reports. The amounts on the Grant Auditor Report reconcile with this Schedule.

The District has elected not to use the 10-percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

Note 3 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The grantee received no noncash assistance during the year ended June 30, 2021 that is not included on the schedule of expenditures of federal awards.

Columbia School District

Notes to the Schedule of Expenditures of Federal Awards

Note 4 - Reconciliation to the Schedule of Expenditures of Federal Awards

The following schedule reconciles the federal revenues reported on the fund financial statements to the federal expenditures reported on the Schedule:

Federal sources per basic financial statements	\$ 1,792,948
<i>Schedule of Expenditures of Federal Awards Adjustments:</i>	
Federal Child Development & Care grant beneficiary (School District was not a subrecipient)	<u>(23,900)</u>
<i>Federal expenditures per Schedule</i>	<u>\$ 1,769,048</u>

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
Columbia School District
Brooklyn, 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 the Columbia School District (the "School District"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated October 29, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District'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.

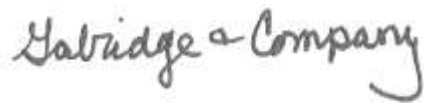
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District'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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.



Gabridge & Company, PLC
Grand Rapids, MI
October 29, 2021

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE

To the Board of Education
Columbia School District
Brooklyn, Michigan

Report on Compliance for Each Major Federal Program

We have audited Columbia School District's (the "School District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2021. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies; therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of federal award findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be a material weakness, listed as finding 2021-001.

The School District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

A handwritten signature in black ink that reads "Gabridge & Company". The signature is written in a cursive, flowing style.

Gabridge & Company, PLC
Grand Rapids, MI
October 29, 2021

**Columbia School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal controls over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes

Identification of Major Programs

Name of Federal Program or Cluster	CFDA Number
Child Nutrition Cluster	10.555 and 10.559
Dollar threshold used to distinguish between Type A and B programs?	\$ 750,000
Auditee qualified as a low-risk auditee?	No

SECTION II - FINANCIAL STATEMENT FINDINGS
--

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
--

See finding 2021-001 on the following page.

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

No prior year matters were reported.

Columbia School District

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2021-001 - Preparation of the Schedule of Expenditures of Federal Awards

Finding Type: Material weakness

Criteria: The Uniform Guidance, §200.510, requires that a recipient of federal awards subject to a single audit “prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements, which must include the total Federal awards expended as determined in accordance with §200.502.” In addition, the School District is required to prepare appropriate financial statements, including the Schedule of Expenditures of Federal Awards (the "Schedule") in accordance with these guidelines.

Condition/Finding: Management provided an initial Schedule; however, material adjustments were discovered during the audit process. This condition was primarily caused by the extreme infrequency of the School District being required to prepare a Schedule and the corresponding lack of established policies and procedures to produce an accurate Schedule. As a result of this condition, the School is not in compliance with the required written procedures under the Uniform Guidance.

Cause: The School District is extremely infrequent to being required to prepare a Schedule and, as a result, lacks established policies and procedures to produce an accurate Schedule.

Effect: The Schedule was not properly prepared.

Recommendation: The School should develop and implement written procedures over the preparation of the schedule of expenditures of federal awards to be used as a reference for future year(s) subject to single audit reporting.

View of Responsible
Officials

(Corrective Action): See corrective action plan.

October 29, 2021

CORRECTIVE ACTION PLAN

Pursuant to federal regulations, Uniform Administrative Requirements Section 200.511, the following are the findings, as noted in the Columbia School District, Michigan's Single Audit report for the year ended June 30, 2021, and corrective actions to be completed.

Finding: 2021-001 - Preparation of the Schedule of Expenditures of Federal Awards

Auditor Description of Condition and Effect: The Uniform Guidance, §200.510, requires that a recipient of federal awards subject to a single audit "prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements, which must include the total Federal awards expended as determined in accordance with §200.502." In addition, the School is required to prepare appropriate financial statements, including the Schedule of Expenditures of Federal Awards (the "Schedule") in accordance with these guidelines.

Management provided an initial Schedule of Expenditure of Awards; however, material adjustments were discovered during the audit process. This condition was primarily caused by the extreme infrequency of the School being required to prepare a Schedule of Expenditures of Federal Awards and the corresponding lack of established policies and procedures to produce an accurate Schedule. As a result of this condition, the School is not in compliance with the required written procedures under the Uniform Guidance.

Auditor Recommendation: The School should develop and implement written procedures over the preparation of the schedule of expenditures of federal awards to be used as a reference for future year(s) subject to single audit reporting.

Corrective Action: We agree with the finding and will develop policies with the intention of providing a fully reconciled Schedule of Expenditures of Federal Awards going forward.

Responsible Person:

Anticipated Completion Date: June 30, 2022

October 29, 2021

To the Board of Education
Columbia School District
Brooklyn, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Columbia School District (the "School District") for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 12, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in Note 1 to the financial statements. There were no new accounting policies adopted during the fiscal year ended June 30, 2021. We noted no transactions entered into by the School District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the School District's financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 29, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

As required by the OMB Uniform Guidance, we have also completed an audit of the federal programs administered by the School District. The results of that audit are provided to the Board of Education in our report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with the OMB Uniform Guidance dated October 29, 2021.

Other Matters

We applied certain limited procedures to management's discussion and analysis, the pension and OPEB schedules, and the budgetary comparison schedule, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the individual and combining fund statements, and the schedule of expenditures of federal awards, which accompany the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of Education and management of the School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Gabridge & Company".

Gabridge & Company, PLC
Grand Rapids, MI
October 29, 2021