

**COLUMBIA SCHOOL DISTRICT
BROOKLYN, MICHIGAN**

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2019

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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, 2019, 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, 2019, 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 combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or 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 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 30, 2019, 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'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 dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being a simple loop.

Gabridge & Company, PLC
Grand Rapids, MI
October 30, 2019

Management's Discussion and Analysis

Columbia School District

Management's Discussion and Analysis

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, 2019. 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, 2019.

Financial Highlights

- For fiscal year ended 2019, the Board of Education originally adopted a general fund budget with a projected increase in fund balance of \$143,043. The actual results of operations in the general fund showed that actual expenditures were \$501,301 less than the final general fund budget and that actual revenues and other financing sources were approximately \$9,008 more than the final general fund budget.
- At June 30, 2019 the total net position had a deficit balance of \$(17,864,300), of which \$(22,958,692) was deficit unrestricted net position.
- The governmental activities total net position decreased \$941,461 from \$(16,922,839) as of June 30, 2018 to \$(17,864,300) as of June 30, 2019. Refer to the district-wide financial statements – change in net position for fiscal year ended June 30, 2019 and June 30, 2018 for explanations regarding the net position increase.
- At June 30, 2019, the total fund balance for the general fund was \$1,667,788.

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.

Columbia School District

Management's Discussion and Analysis

- *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

Management's Discussion and Analysis

Columbia School District's Net Position

ASSETS	2019	2018
<i>Current Assets</i>		
Cash and Investments	\$ 1,707,937	\$ 1,338,006
Receivables	316,105	306,291
Due from Other Governments	1,598,004	1,480,231
Prepaid Items and Inventories	8,431	7,651
Total Current Assets	3,630,477	3,132,179
<i>Noncurrent Assets</i>		
Capital Assets, Net	33,111,371	33,875,884
Total Assets	36,741,848	37,008,063
DEFERRED OUTFLOWS OF RESOURCES		
Pension	8,743,371	6,058,268
OPEB	1,077,059	392,654
Total Deferred Outflows of Resources	9,820,430	6,450,922
LIABILITIES		
<i>Current Liabilities</i>		
Accounts Payable and Accrued Expenses	1,640,782	1,563,023
Accrued Interest	208,805	213,635
Current Portion of Long-term Debt	819,054	720,000
Total Current Liabilities	2,668,641	2,496,658
<i>Noncurrent Liabilities</i>		
Long-term Debt	27,702,762	28,222,304
Compensated Absences	136,818	146,538
Net Pension Liability	23,943,128	20,959,742
Net OPEB Liability	6,295,247	7,172,218
Total Liabilities	60,746,596	58,997,460
DEFERRED INFLOWS OF RESOURCES		
Pension	2,113,315	1,141,891
OPEB	1,566,667	242,473
Total Deferred Inflows of Resources	3,679,982	1,384,364
NET POSITION		
Net Investment in Capital Assets	4,681,020	4,933,580
Restricted	413,372	495,721
Unrestricted	(22,958,692)	(22,352,140)
Total Net Position	\$ (17,864,300)	\$ (16,922,839)

Columbia School District

Management's Discussion and Analysis

Cash and investments increased by \$369,931 due to the issuance of an installment purchase agreement in the amount of \$365,926 as well as a similar increase in fund balance of \$420,539. Due from other governments increased by \$117,733 as a result of increased revenues and reimbursement timing. Capital assets had a net decrease of \$764,513, consisting of capital additions of \$353,444 and depreciation expense of \$1,117,957.

Long-term debt had a net decrease of \$420,488, consisting of issuance of the installment purchase agreement, as mentioned above, debt service payments of \$756,122, and amortization of bond premiums of \$30,292. Net pension liability, net OPEB liability, and their related deferrals increased by \$1,032,525, as a result of market conditions on the plan's assets.

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

Columbia School District's Changes in Net Position

	<u>2019</u>	<u>2018</u>
Revenues		
Program Revenues		
Charges for Services	\$ 699,487	\$ 522,801
Operating Grants and Contributions	3,574,379	3,417,286
Total Program Revenues	<u>4,273,866</u>	<u>3,940,087</u>
General Revenues		
Local Sources	6,409,099	6,506,360
Unrestricted State Sources	7,231,212	6,618,519
Investment Earnings	6,095	3,426
Total General Revenues	<u>13,646,406</u>	<u>13,128,305</u>
Total Revenues	<u>17,920,272</u>	<u>17,068,392</u>
Expenses		
Instruction	11,229,081	9,054,559
Support Services	5,470,773	5,226,822
Community Services	131,674	168,350
Food Services Activities	667,245	597,329
Interest on Long-term Debt	1,262,910	1,356,391
Unallocated Depreciation	100,050	101,199
Total Expenses	<u>18,861,733</u>	<u>16,504,650</u>
Change in Net Position	<u>(941,461)</u>	<u>563,742</u>
Net Position at Beginning of Period	<u>(16,922,839)</u>	<u>(17,486,581)</u>
Net Position at End of Period	<u>\$ (17,864,300)</u>	<u>\$ (16,922,839)</u>

An increase in revenues received from pre-school and food services resulted in an increase of \$176,686 of charges for services. Operating grants and contributions increased by \$157,093 as a

Columbia School District

Management's Discussion and Analysis

result of more funding received from the County in relation to special education. Revenues received from local sources decreased by \$97,261 as a result of a decrease in needed debt levy. Unrestricted state sources increased by \$612,693 as the School District's pupil count increased from 1,428 to 1,467, accounting for an increase of nearly \$294,022, and a foundation allowance increase from \$7,631 to \$7,871 per pupil, accounting for an increase of nearly \$352,058, for a total increase of \$646,080.

Instruction and support services increased by \$2,174,522 and \$243,951 primarily as a result of the increases in net pension liability, net OPEB liability, and their related deferrals (\$1,032,525, as stated above). In addition, increased salaries increased instruction expenses and non-capital technology purchases increased support services.

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 and student activities 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 debt service fund.

Columbia School District

Management's Discussion and Analysis

The **general fund** is the School District's primary operating fund. The general fund had revenues of \$15,365,856, expenditures of \$15,179,686, and net other financing sources of \$408,183. The School District ended the year with a \$594,353 increase in fund balance for a total fund balance of \$1,667,788 as of June 30, 2019, up from \$1,073,435 as of June 30, 2018. 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 \$1,848,938 and expenditures of \$1,900,254. The 2014 debt service fund ended the year with a \$51,316 decrease in fund balance for a total fund balance of \$161,965 as of June 30, 2019, down from \$213,281 as of June 30, 2018.

The nonmajor governmental funds had a decrease in fund balance for the year of \$122,498 for total nonmajor governmental fund balances of \$159,942 as of June 30, 2019, down from \$282,440 as of June 30, 2018.

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, 2019, was adopted by the Board of Education on June 11, 2018, with the final amendments made on June 10, 2019.

Original budget compared to final budget. The most significant change between the original budget and final budget was for general administration from \$478,229 to \$883,091.

Final budget compared to actual results. The School District had no expenditures in excess of the amounts appropriated during the year ended June 30, 2019.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2019, the School District had \$33,111,371 invested in capital assets. This included a net decrease during the past fiscal year of \$764,513 consisting of depreciation charges of \$1,117,957 and capital asset additions of \$353,444.

Columbia School District

Management's Discussion and Analysis

The following table represents the School District's investment in capital assets:

Land and Construction in Progress	\$ 298,161
Buildings and Improvements	43,415,131
Buses and Other Vehicles	798,399
Furniture and Equipment	811,313
Subtotal	<u>45,323,004</u>
Accumulated Depreciation	<u>12,211,633</u>
Net Capital Assets	<u>\$ 33,111,371</u>

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 \$28,521,816.

- The School District continued to pay down its debt, retiring \$720,000 of outstanding bonds during the year. The School District also amortized bond premium in the amount of \$30,292.
- The School District issued an instalment purchase agreement of \$365,926 for the construction of a lockout system. In addition, the School District paid \$36,122 of the agreement during the year.

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, 2019.

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.

Columbia School District

Management's Discussion and Analysis

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.

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, 2019**

ASSETS

Current Assets

Cash and Investments	\$ 1,707,937
Accounts Receivable	316,105
Due from Other Governmental Units	1,598,004
Inventories	8,431
Total Current Assets	3,630,477

Noncurrent Assets

Capital Assets being Depreciated, Net	298,161
Capital Assets not being Depreciated	32,813,210
Total Assets	36,741,848

DEFERRED OUTFLOWS OF RESOURCES

Pension	8,743,371
OPEB	1,077,059
Total Deferred Outflows of Resources	9,820,430

LIABILITIES

Current Liabilities

Accounts Payable	72,553
Salaries Payable	828,516
Accrued Items	739,713
Accrued Interest Payable	208,805
Current Portion of Long-term Debt	819,054
Total Current Liabilities	2,668,641

Noncurrent Liabilities

Long-term Debt	27,702,762
Compensated Absences	136,818
Net Pension Liability	23,943,128
Net OPEB Liability	6,295,247
Total Liabilities	60,746,596

DEFERRED INFLOWS OF RESOURCES

Pension	2,113,315
OPEB	1,566,667
Total Deferred Inflows of Resources	3,679,982

NET POSITION

Net Investment in Capital Assets	4,681,020
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Restricted for:

Food Services	159,942
Debt Service	161,965
Capital Projects	91,465

<i>Unrestricted</i>	(22,958,692)
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Total Net Position	\$ (17,864,300)
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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, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Instruction	\$ 11,229,081	\$ 92,206	\$ 2,507,034	\$ --	\$ (8,629,841)
Support Services	5,470,773	238,486	605,192	--	(4,627,095)
Community Services	134,849	125,692	--	--	(9,157)
Food Service Activities	667,245	243,103	462,153	--	38,011
Interest on Long-term Debt	1,259,735	--	--	--	(1,259,735)
Unallocated Depreciation	100,050	--	--	--	(100,050)
Total	\$ 18,861,733	\$ 699,487	\$ 3,574,379	\$ --	\$ (14,587,867)

General Purpose Revenues:

Property Taxes	6,409,099
Investment Earnings	6,095
State Sources	7,231,212
Total General Revenues	13,646,406
Change in Net Position	(941,461)
<i>Net Position at Beginning of Period</i>	<i>(16,922,839)</i>
Net Position at End of Period	\$ (17,864,300)

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

**Columbia School District
Balance Sheet
Governmental Funds
June 30, 2019**

		<u>Debt Service</u>		
	<u>General</u>	<u>2014 Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and Investments	\$ 1,352,984	\$ 161,965	\$ 192,988	\$ 1,707,937
Accounts Receivable	306,720	--	9,385	316,105
Due from Other Governmental Units	1,593,618	--	4,386	1,598,004
Inventories	--	--	8,431	8,431
Due from Other Funds	2,827	--	--	2,827
Total Assets	<u>\$ 3,256,149</u>	<u>\$ 161,965</u>	<u>\$ 215,190</u>	<u>\$ 3,633,304</u>
LIABILITIES				
Accounts Payable	\$ 27,985	\$ --	\$ 44,568	\$ 72,553
Salaries Payable	828,516	--	--	828,516
Accrued Items	731,860	--	7,853	739,713
Due to Other Funds	--	--	2,827	2,827
Total Liabilities	<u>1,588,361</u>	<u>--</u>	<u>55,248</u>	<u>1,643,609</u>
FUND BALANCE				
Nonspendable	--	--	8,431	8,431
Restricted	91,465	161,965	151,511	404,941
Unassigned	1,576,323	--	--	1,576,323
Total Fund Balance	<u>1,667,788</u>	<u>161,965</u>	<u>159,942</u>	<u>1,989,695</u>
Total Liabilities and Fund Balance	<u>\$ 3,256,149</u>	<u>\$ 161,965</u>	<u>\$ 215,190</u>	<u>\$ 3,633,304</u>

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, 2019

Total Fund Balance - Governmental Funds	\$ 1,989,695
Capital assets of \$45,323,004, net of accumulated depreciation of \$12,211,633, are not financial resources and, accordingly, are not reported in the funds.	33,111,371
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in funds. This represents the sum of bonds payable and bond premiums.	(28,521,816)
Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid.	(208,805)
Compensated absences are recorded in the statement of activities when incurred; they are not reported in governmental funds until paid.	(136,818)
The net pension liability and related deferred inflows and outflows are not due and payable in the current period and, therefore, are not reported in the funds.	(17,313,072)
The net OPEB liability and related deferred inflows and outflows are not due and payable in the current period and, therefore, are not reported in the funds.	(6,784,855)
Total Net Position - Governmental Activities	\$ <u>(17,864,300)</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, 2019

		<u>Debt Service</u>		
	<u>General</u>	<u>2014 Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property Taxes	\$ 4,562,211	\$ 1,846,888	\$ --	\$ 6,409,099
Other Local Sources	420,597	--	243,103	663,700
State Sources	9,459,293	--	27,442	9,486,735
Federal Sources	284,488	--	434,711	719,199
Interdistrict and Other	635,444	--	--	635,444
Investment Earnings	3,823	2,050	222	6,095
Total Revenues	15,365,856	1,848,938	705,478	17,920,272
Expenditures				
Instruction	9,299,549	--	95,680	9,395,229
Support Services	5,604,888	--	--	5,604,888
Community Services	124,524	--	--	124,524
Food Service Activities	--	--	690,039	690,039
Debt Service - Principal	126,122	630,000	--	756,122
Debt Service - Interest	24,603	1,270,254	--	1,294,857
Total Expenditures	15,179,686	1,900,254	785,719	17,865,659
Excess of Revenues Over (Under) Expenditures	186,170	(51,316)	(80,241)	54,613
Other Financing Sources (Uses)				
Installment Purchase Agreement Issuance	365,926	--	--	365,926
Transfers In	42,257	--	--	42,257
Transfers Out	--	--	(42,257)	(42,257)
Net Other Financing Sources (Uses)	408,183	--	(42,257)	365,926
Net Change in Fund Balance	594,353	(51,316)	(122,498)	420,539
<i>Fund Balance at Beginning of Period</i>	<i>1,073,435</i>	<i>213,281</i>	<i>282,440</i>	<i>1,569,156</i>
Fund Balance at End of Period	\$ 1,667,788	\$ 161,965	\$ 159,942	\$ 1,989,695

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, 2019

Total Net Change in Fund Balances - Governmental Funds	\$	420,539
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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 amount represents current year depreciation expense of \$1,117,957 less current year capital outlay expenditure of \$353,444.

(764,513)

Governmental funds report bond proceeds as current financial resources. In contrast, the statement of activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the government-wide statements treat such repayments as a reduction in long-term liabilities. This amount includes repayments of bonds, amortization of bond premiums, and the issuance of an installment purchase agreement.

420,488

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

4,830

Compensated absences are recorded as expenditures when financial resources are used in the governmental funds, in contrast, they are expensed when incurred in the statement of activities. This represents the current year change in compensated absences.

9,720

Governmental funds report the required pension contributions as an expenditure. The statement of activities reports the fully accrued pension expense based upon a September year-end to coincide with the State of Michigan's fiscal year. The following are changes within the net pension liability and related inflows and outflows.

(1,269,707)

Governmental funds report the required OPEB contributions as an expenditure. The statement of activities reports the fully accrued pension expense based upon a September year-end to coincide with the State of Michigan's fiscal year. The following are changes within the net OPEB liability and related inflows and outflows.

237,182

Changes in Net Position - Governmental Activities	\$	<u>(941,461)</u>
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**Columbia School District
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019**

	Private Purpose Trust	Agency
ASSETS		
Cash and Investments	\$ 41,546	\$ 184,485
<i>Total Assets</i>	<u>41,546</u>	<u>184,485</u>
LIABILITIES		
Due to Student Groups	--	184,485
<i>Total Liabilities</i>	<u>--</u>	<u>184,485</u>
NET POSITION		
Held in Trust	<u>\$ 41,546</u>	<u>\$ --</u>

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

**Columbia School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2019**

	Private Purpose Trust Fund
Additions	
Investment Earnings	\$ 4,831
<i>Total Additions</i>	<u>4,831</u>
Deductions	
<i>Total Deductions</i>	<u>--</u>
<i>Change in Net Position</i>	4,831
<i>Net Position at Beginning of Period</i>	36,715
<i>Net Position at End of Period</i>	<u>\$ 41,546</u>

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. *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*. Agency 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 recognized as revenues in the year for which they are levied. Grants and similar items are

Columbia School District

Notes to the Financial Statements

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.

Capital projects funds account for the accumulation and disbursement of resources for the construction of governmental fund capital projects.

Fiduciary funds account for resources held by the School District in a trustee capacity for student activities. The School District also maintains 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, 2019, the foundation allowance was based on pupil membership counts taken in February 2018 and September 2018.

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, 2019, 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	2.900 mills

Assets, 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:

	Years
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 (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 two 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. These amounts are expensed in the plan 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, 2019.

District-wide Deficits

The School District has an unrestricted net position deficit for District-wide activities in the amount of \$(22,958,692) as of June 30, 2019.

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, 2019:

Statement of Net Position	
Cash and Investments	\$ 1,707,937
Statement of Fiduciary Net Position	
Cash and Investments	226,031
Total Deposits and Investments	<u>\$ 1,933,968</u>
Deposits and Investments	
Checking and Savings Accounts	\$ 1,722,002
Investments	211,966
Total Deposits and Investments	<u>\$ 1,933,968</u>

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, \$1,532,243 of the School District's bank balance of \$1,993,476 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, 2019, 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.

Following is a summary of the School District's investments as of June 30, 2019:

Cash Equivalents	\$ 210,027
Certificates of Deposit	1,939
	<u>\$ 211,966</u>

Columbia School District

Notes to the Financial Statements

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.

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

Rating Agency	Rating	FMV
Not Rated	N/A	\$ 176,449
S&P	AA	35,517
		<u>\$ 211,966</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.

Maturity dates for investments and certificates of deposit held at year-end are summarized as follows:

	Certificates of Deposit	Investments
No Maturity	\$ -	\$ 174,510
Due within One Year	1,939	-
Due within 1 - 5 Years	-	35,517
	<u>\$ 1,939</u>	<u>\$ 210,027</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

Columbia School District

Notes to the Financial Statements

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 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, 2019, the fair value measurements of investments and cash equivalents were as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment Type				
Certificates of Deposit	\$ -	\$ 1,939	\$ -	\$ 1,939
Cash Equivalents	210,027	-	-	210,027
Total Investments	<u>\$ 210,027</u>	<u>\$ 1,939</u>	<u>\$ -</u>	<u>\$ 211,966</u>

Note 4 - Interfund Transfers

Interfund balances at June 30, 2019 consisted of fund receivables and payables listed below:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Food Service	\$ 2,827

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.

Columbia School District

Notes to the Financial Statements

The following schedule summarizes operating transfers during the year:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Food Service Fund	\$ 42,257

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.

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 53 percent of the total revenues to the School District during the 2019 fiscal year.

Note 6 - Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital Assets not Being Depreciated				
Land	\$ 23,700	\$ -	\$ -	\$ 23,700
Construction in Progress	-	274,461	-	274,461
<i>Subtotal</i>	<u>23,700</u>	<u>274,461</u>	<u>-</u>	<u>298,161</u>
Capital Assets being Depreciated				
Buildings and Improvements	43,415,131	-	-	43,415,131
Buses and Other Vehicles	823,659	-	(25,260)	798,399
Furniture and Equipment	981,523	78,983	(249,193)	811,313
<i>Subtotal</i>	<u>45,220,313</u>	<u>78,983</u>	<u>(274,453)</u>	<u>45,024,843</u>
Less Accumulated Depreciation				
Buildings and Improvements	9,833,360	1,048,748	-	10,882,108
Buses and Other Vehicles	755,836	19,150	(25,260)	749,726
Furniture and Equipment	778,933	50,059	(249,193)	579,799
<i>Subtotal</i>	<u>11,368,129</u>	<u>1,117,957</u>	<u>(274,453)</u>	<u>12,211,633</u>
Capital Assets being Depreciated, Net	<u>33,852,184</u>	<u>(1,038,974)</u>	<u>-</u>	<u>32,813,210</u>
Capital Assets, Net	<u>\$ 33,875,884</u>	<u>\$ (764,513)</u>	<u>\$ -</u>	<u>\$ 33,111,371</u>

Columbia School District

Notes to the Financial Statements

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

Governmental Activities:

Instruction	\$ 982,446
Support Services	24,453
Food Service	11,008
Unallocated	100,050
	<u>\$ 1,117,957</u>

Note 7 - Long-term Debt

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

The following is a summary of the changes in long-term debt (including current portion) of the School District for the year ended June 30, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2005 Energy Bonds	\$ 280,000	\$ -	\$ (90,000)	\$ 190,000	\$ 95,000
2014 Building and Site Bonds	27,905,000	-	(630,000)	27,275,000	655,000
2018 Installment Purchase Agreement	-	365,926	(36,122)	329,804	69,054
Bond Premiums	757,304	-	(30,292)	727,012	-
Compensated Absences	146,538	-	(9,720)	136,818	-
Total	<u>\$ 29,088,842</u>	<u>\$ 365,926</u>	<u>\$ (796,134)</u>	<u>\$ 28,658,634</u>	<u>\$ 819,054</u>

Annual debt service requirements, exclusive of compensated absences, for long-term debt outstanding as of June 30, 2019 follows:

	Governmental Activities		
	Principal	Interest	Total
2020	\$ 819,054	1,266,257	\$ 2,085,311
2021	852,226	1,226,345	2,078,571
2022	795,545	1,184,739	1,980,284
2023	829,015	1,152,469	1,981,484
2024	818,964	1,111,905	1,930,869
2025-2029	4,545,000	4,937,300	9,482,300
2030-2034	5,580,000	3,889,212	9,469,212
2035-2039	6,895,000	2,526,750	9,421,750
2040-2043	6,660,000	763,202	7,423,202
Total	<u>\$ 27,794,804</u>	<u>\$ 18,058,179</u>	<u>\$ 45,852,983</u>

Columbia School District

Notes to the Financial Statements

General obligation bonds and loans consist of:

\$1,110,000 serial bonds due in annual installments of \$85,000 to \$95,000 through May 1, 2021; interest at 4.0% to 4.25%	\$ 190,000
\$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%	27,275,000
\$365,926 installment purchase agreements, due in monthly installments, through November 24, 2023; interest at 4.50%	329,804
Total long-term debt	<u>\$ 27,794,804</u>

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 years ended June 30, 2020, June 30, 2021, and 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 MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members— eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's pension plan was established by the State to provide retirement, survivor and

Columbia School District

Notes to the Financial Statements

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, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 and ending September 30, 2038.

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

Columbia School District

Notes to the Financial Statements

September 30, 2018.

Benefit Structure	Member	Non-Universities
Basic	0.0 - 4.0%	17.89%
Member Investment Plan	3.0 - 7.0%	17.89%
Pension Plus	3.0 - 6.4%	16.61%
Pension Plus 2	6.2%	19.74%
Defined Contribution	0.0%	13.54%

Required contributions to the pension plan from the School District were \$2,168,787 for the year ended September 30, 2018.

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

At June 30, 2019, the School District reported a liability of \$23,943,128 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2017. 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, 2018, the School District's proportion was 0.07965 percent, which was a decrease of 0.00123 percent from its proportion measured as of September 30, 2017.

For the year ending June 30, 2019, the School District recognized pension expense of \$3,515,018. At June 30, 2019, 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	\$ 111,101	\$ 173,991
Changes of assumptions	5,545,209	
Net difference between projected and actual earnings on pension plan investments	-	1,637,101
Changes in proportion and differences between Employer contributions and proportionate share of contributions	873,003	302,223
Employer contributions subsequent to the measurement date	2,214,058	-
Total	\$ 8,743,371	\$ 2,113,315

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, 2020. Other

Columbia School District

Notes to the Financial Statements

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		Amount:
September 30		
2019	\$	2,012,820
2020		1,343,721
2021		777,286
2022		282,171

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, 2017
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP and Basic Plans:	7.05%
- Pension Plus Plan:	7.00%
- Pension Plus 2 Plan:	6.00%
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, 2018, is based on the results of an actuarial valuation date of September 30, 2017, 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: 4.5304
- Recognition period for assets in years: 5.0000
- Full actuarial assumptions are available in the 2018 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, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.7%
& Alternative Investment Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	3.9
Absolute Return Pools	15.5	5.2
Short Term Investment Pools	2.0	0.0
Total	100.0%	

Rate of Return

For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 11.11%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 7.05% was used to measure the total pension liability (7.0% 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 7.05% (7.0% 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.

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 7.05% (7.0% for the Hybrid Plan), as well as what the School

Columbia School District

Notes to the Financial Statements

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:

Pension		
1% Decrease	Current Single Discount Rate Assumption	1% Increase
(Non-Hybrid/Hybrid)	(Non-Hybrid/Hybrid)	(Non-Hybrid/Hybrid)
6.05% / 6.0% / 6.0%	7.05% / 7.0% / 6.0%	8.05% / 8.0% / 7.0%
\$31,435,477	\$23,943,128	\$17,718,203

* 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 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.

The System's financial statements are available on the ORS website at www.michigan.gov/orsschools.

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Notes to the Financial Statements

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.

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

Columbia School District

Notes to the Financial Statements

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, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2018.

Benefit Structure	Member	Non-Universities
Premium Subsidy	3.00%	6.44%
Personal Healthcare Fund (PHF)	0.00%	6.13%

Required contributions to the OPEB plan from the School District were \$514,058 for the year ended September 30, 2018.

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

At June 30, 2019, the School District reported a liability of \$6,295,247 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2017. 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, 2018, the School District's proportion was 0.07920 percent, which was a decrease of 0.00180 percent from its proportion measured as of October 1, 2017.

For the year ending June 30, 2019, the School District recognized OPEB expense of \$275,294.

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Notes to the Financial Statements

At June 30, 2019, 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	\$ -	\$ 1,171,707
Changes of assumptions	666,670	-
Net difference between projected and actual earnings on pension plan investments	-	241,941
Changes in proportion and differences between Employer contributions and proportionate share of contributions	4,335	153,019
Employer contributions subsequent to the measurement date	406,054	-
Total	\$ 1,077,059	\$ 1,566,667

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, 2020. 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:
2019	\$ (216,476)
2020	(216,476)
2021	(216,476)
2022	(167,755)
2023	(78,479)

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, 2017
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	7.15%
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	7.5% Year 1 graded to 3.0% Year 12
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.
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, 2018, is based on the results of an actuarial valuation date of September 30, 2017, 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

Columbia School District

Notes to the Financial Statements

- Full actuarial assumptions are available in the 2018 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 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, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.7%
& Alternative Investment Pools	18.0	9.2
International Equity	16.0	7.2
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	3.9
Absolute Return Pools	15.5	5.2
Short Term Investment Pools	2.0	0.0
Total	100.0%	

Rate of Return

For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 10.75%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 7.15% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 7.15%. 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 7.15%, 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:

Other Postemployment Benefits		
1% Decrease	Current Discount Rate	1% Increase
6.15%	7.15%	8.15%
\$7,557,316	\$6,295,247	\$5,233,693

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:

Other Postemployment Benefits		
1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$5,177,771	\$6,295,247	\$7,577,220

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2018 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 - Subsequent Events

Subsequent events were evaluated through October 30, 2019, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would have a significant impact on the financial condition of the District.

Note 14 - Upcoming Accounting Pronouncements

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

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

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, 2019

	Budgeted Amounts			Variance Positive (Negative) Final to Actual
	Original	Final	Actual	
Revenues				
Local Sources	\$ 5,180,812	\$ 5,310,562	\$ 4,982,808	\$ (327,754)
State Sources	9,072,177	9,480,307	9,459,293	(21,014)
Federal Sources	293,403	294,718	284,488	(10,230)
Interdistrict and Other	569,392	679,444	635,444	(44,000)
Investment Earnings	--	--	3,823	3,823
Total Revenues	15,115,784	15,765,031	15,365,856	(399,175)
Other Financing Sources				
Installment Purchase Agreement Issuance	--	--	365,926	365,926
Transfers In	--	--	42,257	42,257
Total Revenues and Other Financing Sources	15,115,784	15,765,031	15,774,039	9,008
Expenditures				
Instruction				
Basic Programs	8,078,645	7,977,652	7,950,759	26,893
Added Needs	1,426,643	1,376,976	1,348,790	28,186
Total Instruction	9,505,288	9,354,628	9,299,549	55,079
Supporting Services				
Pupil	363,140	322,763	316,128	6,635
Instruction Staff	356,594	384,135	330,517	53,618
General Administration	478,229	883,091	817,223	65,868
School Administration	841,982	949,228	918,269	30,959
Business Services	261,305	282,622	272,032	10,590
Operation and Maintenance	1,532,829	1,758,865	1,677,360	81,505
Pupil Transportation	914,027	878,609	827,834	50,775
Central Services	41,340	45,431	42,766	2,665
Athletic Activities	383,626	461,389	402,759	58,630
Total Supporting Services	5,173,072	5,966,133	5,604,888	361,245
Community Services	184,188	209,500	124,524	84,976
Debt Service	110,193	150,726	150,725	1
Total Expenditures	14,972,741	15,680,987	15,179,686	501,301
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	143,043	84,044	594,353	510,309
Net Change in Fund Balance	143,043	84,044	594,353	510,309
Fund Balance at Beginning of Period	1,073,435	1,073,435	1,073,435	--
Fund Balance at End of Period	\$ 1,216,478	\$ 1,157,479	\$ 1,667,788	\$ 510,309

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Portion of Net Pension Liability (%)	0.07965%	0.08088%	0.07890%	0.07370%	0.06907%
School District's Proportionate Share of Net Pension Liability	\$ 23,943,128	\$ 20,959,742	\$ 19,692,402	\$ 18,001,450	\$ 15,213,653
School District's Covered Payroll	\$ 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	354.01%	308.82%	286.42%	286.55%	255.72%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	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 Five School District Fiscal Years (Amounts determined as of June 30 of each year)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily Required Contributions	\$ 2,168,787	\$ 1,897,092	\$ 1,772,415	\$ 1,773,903	\$ 1,354,250
Contributions in Relation to Statutorily Required Contributions	<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>
School District's Covered Payroll	\$ 7,033,037	\$ 6,713,636	\$ 6,802,121	\$ 6,501,000	\$ 6,238,072
Contributions as a Percentage of Covered Payroll	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 Two Fiscal Years (Amounts were determined as of September 30 of each fiscal year)

	<u>2018</u>	<u>2017</u>
School District's Portion of Net OPEB Liability (%)	0.07920%	0.08099%
School District's Proportionate Share of Net OPEB Liability	\$ 6,295,247	\$ 7,172,218
School District's Covered Payroll	\$ 6,763,315	\$ 6,787,069
School District's Proportionate Share of Net OPEB Liability as a Percentage of its Covered Payroll	93.08%	105.67%
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	42.95%	36.39%

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

	<u>2019</u>	<u>2018</u>
Statutorily Required Contributions	\$ 514,058	\$ 630,556
Contributions in Relation to Statutorily Required Contributions	<u>514,058</u>	<u>630,556</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 7,033,037	\$ 6,713,636
Contributions as a Percentage of Covered Payroll	7.31%	9.39%

Combining and Individual Fund Statements and Schedules

**Columbia School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2019**

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Food Service Fund</u>	<u>Capital Project Fund #1</u>	
ASSETS			
Cash and Investments	\$ 192,988	\$ --	\$ 192,988
Accounts Receivable	9,385	--	9,385
Due from Other Governmental Units	4,386	--	4,386
Inventories	8,431	--	8,431
<i>Total Assets</i>	\$ 215,190	\$ --	\$ 215,190
LIABILITIES			
Accounts Payable	\$ 44,568	\$ --	\$ 44,568
Accrued Items	7,853	--	7,853
Due to Other Funds	2,827	--	2,827
<i>Total Liabilities</i>	55,248	--	55,248
FUND BALANCE			
Nonspendable	8,431	--	8,431
Restricted	151,511	--	151,511
Unassigned	--	--	--
<i>Total Fund Balance</i>	159,942	--	159,942
<i>Total Liabilities and Fund Balance</i>	\$ 215,190	\$ --	\$ 215,190

Columbia School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2019

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor</u>
	<u>Food Service</u>	<u>Capital Project</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund #1</u>	<u>Funds</u>
Revenues			
Other Local Sources	\$ 243,103	\$ --	\$ 243,103
State Sources	27,442	--	27,442
Federal Sources	434,711	--	434,711
Investment Earnings	222	--	222
Total Revenues	<u>705,478</u>	<u>--</u>	<u>705,478</u>
Expenditures			
Instruction	--	95,680	95,680
Food Service Activities	690,039	--	690,039
Total Expenditures	<u>690,039</u>	<u>95,680</u>	<u>785,719</u>
Excess of Revenues Over			
(Under) Expenditures	<u>15,439</u>	<u>(95,680)</u>	<u>(80,241)</u>
Other Financing Sources (Uses)			
Transfers Out	(42,257)	--	(42,257)
Net Other Financing Sources (Uses)	<u>(42,257)</u>	<u>--</u>	<u>(42,257)</u>
Net Change in Fund Balance	(26,818)	(95,680)	(122,498)
Fund Balance at Beginning of Period	186,760	95,680	282,440
Fund Balance at End of Period	<u>\$ 159,942</u>	<u>\$ --</u>	<u>\$ 159,942</u>

October 30, 2019

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, 2019. 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 September 9, 2019. 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 policies adopted during the fiscal year ended June 30, 2019. 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 30, 2019.

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.

Other Matters

We applied certain limited procedures to management's discussion and analysis, the budgetary comparison schedule, and the pension and OPEB schedules, 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, which accompany the financial statements but are 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 dark ink that reads "Gabridge & Company". The signature is written in a cursive, flowing style.

Gabridge & Company, PLC
Grand Rapids, MI
October 30, 2019

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 Columbia School District (the "School District"), as of and for the year ended June 30, 2019, 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 30, 2019.

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) to determine 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 30, 2019