

**COLUMBIA SCHOOL DISTRICT
BROOKLYN, MICHIGAN
ANNUAL FINANCIAL REPORT
YEAR ENDED JUNE 30, 2023**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Columbia School District
Brooklyn, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Columbia School District (the "School District") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

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, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As stated in Note 15 to the basic financial statements, the School District adopted GASB Statement No. 87, *Leases* in 2023, which represents a change in its policy for reporting lease activities. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the 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 is the responsibility of management and, 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.

Supplementary 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 accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2023, on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in

accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

A handwritten signature in 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 31, 2023

Management's Discussion and Analysis

**Columbia School District
Management's Discussion and Analysis
June 30, 2023**

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, 2023. 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, 2023.

Financial Highlights

- The liabilities and deferred inflows of resources of the School District exceeded its assets and deferred outflows of resources at the close of this fiscal year by (\$13,673,978) (shown as a deficit *net position*). The School District had a deficit *unrestricted net position* of (\$18,838,977).
- Revenues of \$24,711,908 exceeded expenses of \$21,871,897 leading to an increase in net position of \$2,840,011 during the year.
- During the year, the School District's fund balances increased by \$1,729,689 for an ending fund balance of \$6,438,854 across all funds.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,158,282, or 24.9% of the general fund's total expenditures. Fund balance of the general fund *increased* by \$1,274,118 during the year.

Overview of the Financial Statements

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

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

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

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

District-wide Financial Statements

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

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

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

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

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

Financial Analysis of the School District as a Whole

The School District's cash and investments increased by \$1,621,991 during the year being similar to the increase in governmental fund balance of \$1,729,689. Due from other governmental units increased by \$203,101 due mainly to the timing of federal and state monies being collected in July and August of 2023. All components of deferred outflows of resources experienced significant changes during the year; pension and OPEB related outflows increased by \$5,544,564 and \$660,622, respectively, due to investment losses on the respective plans of 4.18% and 4.99% (Pension, OPEB) and 80% of these market losses are being deferred and expensed over the next four years.

Payables and accrued expenses increased by \$35,618 over the previous year is due to the timing of expenses incurred but not paid prior to year-end. Unearned revenues increased by \$66,739 due

to the timing of grants collected in advance of having incurred the grant-related expenditures. Net OPEB and pension liabilities increased by \$491,131 and \$12,079,483, respectively, due to the aforementioned investment losses. OPEB and pension related deferred inflow amounts decreased during the year due to the amortization of prior year deferred pension expenditures combined with the reclassification of prior excess earnings as deferred outflows; the decreases were \$1,207,491 and \$6,483,066 for OPEB and pension deferred inflows, respectively. The School District's long-term debt decreased by a net total of \$453,816, being comprised of \$635,434 from the inception of the capital lease less principal payments of \$1,039,790 and net bond premium amortization of \$49,460.

The schedule on the following page summarizes the School Districts net position for each of the past two fiscal years.

Columbia School District's Net Position

ASSETS	2023	2022
<i>Current Assets</i>		
Cash and investments	\$ 6,394,859	\$ 4,772,868
Accounts receivable	159,411	154,953
Due from other governmental units	2,143,077	1,939,976
Inventory	16,102	13,606
<i>Total Current Assets</i>	8,713,449	6,881,403
<i>Noncurrent Assets</i>		
Capital assets, net	29,930,586	30,520,853
<i>Total Assets</i>	38,644,035	37,402,256
DEFERRED OUTFLOWS OF RESOURCES		
Charge on bond refunding	2,316,944	2,432,791
Pension related	10,804,595	5,260,031
OPEB related	2,460,416	1,799,794
<i>Total Deferred Outflows of Resources</i>	15,581,955	9,492,616
LIABILITIES		
<i>Current Liabilities</i>		
Payables and accrued expenses	1,921,850	1,886,232
Accrued interest payable	66,753	73,284
Unearned revenue	352,745	286,006
Current portion of long-term debt	1,108,024	875,000
<i>Total Current Liabilities</i>	3,449,372	3,120,522
<i>Noncurrent Liabilities</i>		
Long-term debt	26,916,816	27,603,656
Compensated absences	89,913	120,873
Net pension liability	31,934,086	19,854,603
Net OPEB liability	1,773,886	1,282,755
<i>Total Liabilities</i>	64,164,073	51,982,409
DEFERRED INFLOWS OF RESOURCES		
Pension related	89,741	6,572,807
OPEB related	3,646,154	4,853,645
<i>Total Deferred Inflows of Resources</i>	3,735,895	11,426,452
NET POSITION		
Net investment in capital assets	4,222,690	4,474,988
Restricted	942,309	493,573
Unrestricted	(18,838,977)	(21,482,550)
<i>Total Net Position</i>	\$ (13,673,978)	\$ (16,513,989)

The results of the fiscal year's operations for the School District as a whole are presented in the statement of activities, which shows the change in total net position for the year. This schedule shows the changes in net position for the past two fiscal years.

Columbia School District's Changes in Net Position

Revenues	2023	2022
Program Revenues		
Charges for services	\$ 1,113,743	\$ 970,129
Operating grants and contributions	8,066,573	5,881,398
Total Program Revenues	9,180,316	6,851,527
General Revenues		
Property taxes	7,027,278	6,799,165
Unrestricted state sources	8,493,775	8,082,435
Unrestricted investment earnings	10,539	1,304
Total General Revenues	15,531,592	14,882,904
Total Revenues	24,711,908	21,734,431
Expenses		
Instruction	12,753,135	10,667,686
Supporting services	6,998,123	6,144,304
Community services	279,407	156,034
Food services	921,447	860,095
Facilities acquisition, construction, and improvements	100,792	-
Interest on long-term debt	741,242	749,574
Unallocated depreciation	77,751	78,560
Total Expenses	21,871,897	18,656,253
Change in Net Position	2,840,011	3,078,178
<i>Net Position at Beginning of Period</i>	<i>(16,513,989)</i>	<i>(19,592,167)</i>
Net Position at End of Period	\$ (13,673,978)	\$ (16,513,989)

Charges for services increased by \$143,614 due in large part to the lack of COVID related restrictions in fiscal year 2023 leading to increases in activity and related charges. An increase of \$2,185,175 can be seen year over year in operating grants and contributions. This increase is primarily related to the 147(c) MPSERS One-time deposit of \$848,778 (provided to all schools) during fiscal year 2023. Property tax increases can be considered mostly as a result of increased taxable value of property within the district. Unrestricted state sources were \$411,340 more than last year as the foundation allowance increased from \$8,700 in the previous year to \$9,150 per student.

Changes within instruction and supporting services expenses for the School District were largely caused by the changes in net pension liability - pension expense increased roughly \$1.7 million compared to the prior year plus an overall increase in activity due to no COVID related restrictions, leading to an overall increase in activity.

Fund Financial Statements

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

The School District utilizes two kinds of funds:

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

Financial Analysis of the School District's Funds

The School District uses funds to record and analyze financial information. The School District has one major fund, its general fund.

The ***general fund*** is the chief operating fund of the School District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$5,158,282. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures and transfers out. Unassigned fund balance represents approximately 24.9% of total general fund expenditures.

The fund balance of the School District's general fund increased by \$1,274,118 for a total fund balance of \$5,158,282. Significant increases and decreases for revenues were within state and federal sources as a result of increased unrestricted state aid and decreased restricted COVID-19 funding. The increase in expenditures was primarily caused by an increase in instruction (basic programs) and supporting services expenditures (operations and maintenance and pupil transportation) due to resumed activities and the inception of a capital lease within the School District.

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.

Original budget compared to final budget. There were significant amendments made to the original budget for both the original estimated revenues and the original appropriated expenditures. The required supplementary information section houses the budgetary comparison schedule for the general fund, as listed in the table of contents. Results for budgeted to actual results can be examined there in detail.

Final budget compared to actual results. The School District had one expenditure in excess of the amount appropriated during the year ended June 30, 2023: pupil transportation (supporting services) with a final budget of \$971,372, an actual amount of \$1,578,102, and a negative variance of (\$606,730).

Capital Asset and Debt Administration

Capital Assets

At June 30, 2023, the School District had \$29,930,586 invested in capital assets, a 1.9% decrease in the amount reported from the prior year. This net decrease of \$590,267 consisted of capital asset purchases of \$635,434 less depreciation expense of \$1,225,701.

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 \$28,024,840, down from \$28,478,656.

- The School District had a bus capital lease payable inception of \$635,434.
- The School District continued to pay down its debt, retiring \$1,039,790 of outstanding bonds and capital lease payables during the year.
- The School District's other long-term obligations are for accumulated sick/vacation leave in the amount of \$89,913, down \$30,960 from the prior year.

The State limits the amount of general obligation debt that schools can issue. The School District is well under the State limit as of June 30, 2023.

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

The School District estimates that approximately \$19.49 million of revenues will be available for appropriation in the general fund in the upcoming budget. The School District continues to review all budget line items for opportunities to reduce expenditures when possible while providing an excellent education to the district it serves. The budget will be monitored during the year to identify any necessary amendments.

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, 2023

	<u>Governmental Activities</u>
ASSETS	
<i>Current Assets</i>	
Cash and investments	\$ 6,394,859
Accounts receivable	159,411
Due from other governmental units	2,143,077
Inventory	16,102
Total Current Assets	<u>8,713,449</u>
<i>Noncurrent Assets</i>	
Capital assets not being depreciated	23,700
Capital assets being depreciated, net	29,906,886
Total Assets	<u>38,644,035</u>
DEFERRED OUTFLOWS OF RESOURCES	
Charge on bond refunding	2,316,944
Pension related	10,804,595
OPEB related	2,460,416
Total Deferred Outflows of Resources	<u>15,581,955</u>
LIABILITIES	
<i>Current Liabilities</i>	
Accounts payable	232,170
Salaries payable	857,483
Accrued expenses	832,197
Unearned revenue	352,745
Interest payable	66,753
Current portion of long-term debt	1,108,024
Total Current Liabilities	<u>3,449,372</u>
<i>Noncurrent Liabilities</i>	
Long-term debt	26,916,816
Compensated absences	89,913
Net pension liability	31,934,086
Net OPEB liability	1,773,886
Total Liabilities	<u>64,164,073</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related	89,741
OPEB related	3,646,154
Total Deferred Inflows of Resources	<u>3,735,895</u>
NET POSITION	
Net investment in capital assets	4,222,690
<i>Restricted for:</i>	
Food services	314,449
Debt service	180,402
Capital projects	447,458
<i>Unrestricted</i>	(18,838,977)
Total Net Position	<u><u>\$ (13,673,978)</u></u>

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, 2023**

		Program Revenues			Net (Expense) Revenue
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 12,753,135	\$ 63,012	\$ 4,787,962	\$ --	\$ (7,902,161)
Supporting services	6,998,123	754,602	2,611,340	--	(3,632,181)
Community services	279,407	47,325	--	--	(232,082)
Food services	921,447	248,804	667,271	--	(5,372)
Facilities acquisition, construction, and improvements	100,792	--	--	--	(100,792)
Interest on long-term debt	741,242	--	--	--	(741,242)
Unallocated depreciation	77,751	--	--	--	(77,751)
<i>Total Governmental Activities</i>	<u>\$ 21,871,897</u>	<u>\$ 1,113,743</u>	<u>\$ 8,066,573</u>	<u>\$ --</u>	<u>\$ (12,691,581)</u>
General Purpose Revenues:					
					4,994,343
					469,930
					1,563,005
					8,493,775
					10,539
					<u>15,531,592</u>
					2,840,011
					<u>(16,513,989)</u>
					\$ (13,673,978)

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

**Columbia School District
Balance Sheet
Governmental Funds
June 30, 2023**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and investments	\$ 5,054,781	\$ 1,340,078	\$ 6,394,859
Accounts receivable	159,411	--	159,411
Due from other governmental units	2,138,288	4,789	2,143,077
Inventory	--	16,102	16,102
Due from other funds	10,373	--	10,373
<i>Total Assets</i>	<u>\$ 7,362,853</u>	<u>\$ 1,360,969</u>	<u>\$ 8,723,822</u>
LIABILITIES			
Accounts payable	\$ 176,871	\$ 55,299	\$ 232,170
Salaries payable	854,773	2,710	857,483
Accrued expenditures	820,182	12,015	832,197
Unearned revenue	352,745	--	352,745
Due to other funds	--	10,373	10,373
<i>Total Liabilities</i>	<u>2,204,571</u>	<u>80,397</u>	<u>2,284,968</u>
FUND BALANCE			
Nonspendable for:			
Inventory	--	16,102	16,102
Restricted for:			
Food services	--	298,347	298,347
Debt service	--	180,402	180,402
Capital projects	--	447,458	447,458
Committed for:			
Student activities	--	338,263	338,263
Unassigned	5,158,282	--	5,158,282
<i>Total Fund Balance</i>	<u>5,158,282</u>	<u>1,280,572</u>	<u>6,438,854</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 7,362,853</u>	<u>\$ 1,360,969</u>	<u>\$ 8,723,822</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, 2023

Total Fund Balance - Governmental Funds	\$ 6,438,854
General government capital assets of \$45,855,018, net of accumulated depreciation of \$15,924,432, are not financial resources and, accordingly, are not reported in the funds.	29,930,586
Accrued interest is not due and payable in the current period and, therefore, is not reported in the funds.	(66,753)
Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.	(89,913)
Net pension liability and related deferred amounts are not due and payable in the current period or do not represent current financial resources and, therefore, are not reported in the funds.	(21,219,232)
Other postemployment benefit liability and related deferred amounts are not due and payable in the current period or do not represent current financial resources and, therefore, are not reported in the funds.	(2,959,624)
Long-term liabilities, including premium on bonds, are not due and payable in the current period and, therefore, are not reported in the funds.	(28,024,840)
Deferred charges on refunding related to the issuance of long-term refunding debt will be amortized over the life of the debt on the statement of net position.	2,316,944
Total Net Position - Governmental Activities	\$ <u>(13,673,978)</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, 2023

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Local sources	\$ 5,374,371	\$ 2,753,200	\$ 8,127,571
State sources	13,274,175	31,215	13,305,390
Federal sources	1,898,183	636,056	2,534,239
Interdistrict sources and other	744,708	--	744,708
Total Revenues	<u>21,291,437</u>	<u>3,420,471</u>	<u>24,711,908</u>
Expenditures			
Instruction	12,924,960	--	12,924,960
Supporting services	7,408,804	460,953	7,869,757
Community services	292,317	--	292,317
Food services	--	873,441	873,441
Facilities acquisition, construction, and improvements	75,152	25,640	100,792
Debt service, principal	--	875,000	875,000
Debt service, interest	--	681,386	681,386
Total Expenditures	<u>20,701,233</u>	<u>2,916,420</u>	<u>23,617,653</u>
Excess of Revenues Over (Under) Expenditures	<u>590,204</u>	<u>504,051</u>	<u>1,094,255</u>
Other Financing Sources (Uses)			
Inception of lease	635,434	--	635,434
Transfers in	48,480	--	48,480
Transfers out	--	(48,480)	(48,480)
Net Other Financing Sources (Uses)	<u>683,914</u>	<u>(48,480)</u>	<u>635,434</u>
Net Change in Fund Balance	<u>1,274,118</u>	<u>455,571</u>	<u>1,729,689</u>
Fund Balance at Beginning of Period	3,884,164	825,001	4,709,165
Fund Balance at End of Period	<u>\$ 5,158,282</u>	<u>\$ 1,280,572</u>	<u>\$ 6,438,854</u>

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

Columbia School District
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and
Changes in Fund Balance with Statement of Activities
For the Year Ended June 30, 2023

Total Net Change in Fund Balances - Governmental Funds	\$	1,729,689
--	----	-----------

Governmental funds report capital outlay as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation and expensed. This represents the amount by which depreciation expense of \$1,225,701 exceeds capital additions of \$635,434.

(590,267)

In the statement of activities, interest and bond discounts and premiums are accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due. This represents the current year change in accrued interest and amortization of bond premiums and discounts. In addition, the amortization of the deferred charge on bond refundings is included.

(59,856)

Change to compensated absences are not shown in the fund financial statements. This amounts represents the change in compensated absences during the current year.

30,960

The statement of activities reports changes to net pension liability and pension related deferrals as pension expense; however, the expenditures recorded on the governmental funds equals actual pension contributions.

(51,853)

The statement of activities reports changes to net OPEB liability and OPEB related deferrals as OPEB expense; however, the expenditures recorded on the governmental funds equals actual OPEB contributions.

1,376,982

Repayment of bond principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position.

404,356

Changes in Net Position - Governmental Activities	\$	<u>2,840,011</u>
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Columbia School District
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2023

	Private Purpose Trust
ASSETS	
Cash and investments	\$ 43,186
<i>Total Assets</i>	<u>43,186</u>
LIABILITIES	
<i>Total Liabilities</i>	<u>--</u>
NET POSITION	
Restricted for scholarships	<u>43,186</u>

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

Columbia School District
Statement of Change in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2023

	Private Purpose Trust
ADDITIONS	
Investment earnings	\$ 1,637
<i>Total Additions</i>	<u>1,637</u>
DEDUCTIONS	
<i>Total Deductions</i>	<u>--</u>
<i>Net Increase (Decrease) in Net Position</i>	1,637
<i>Net Position at Beginning of Period</i>	<u>41,549</u>
<i>Net Position at End of Period</i>	<u>\$ 43,186</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. The School District reports all of its activities as *governmental activities*, which normally are supported by taxes and intergovernmental revenues.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Columbia School District

Notes to the Financial Statements

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

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

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

The School District reports the following major fund:

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

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.

Debt service funds are used to account for the collection of property taxes levied to fund bond payments.

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

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

Budgets and Budgetary Accounting

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

Columbia School District

Notes to the Financial Statements

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

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

State Revenue

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a State-wide formula. The foundation allowance is funded from a combination of State and local sources. Revenues from State sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of State funds to school districts based on information supplied by the districts. For the year ended June 30, 2023, the foundation allowance was based on pupil membership counts taken in October 2022 and February 2023.

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, 2023, 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	2.100 mills
Sinking fund – all taxable values	0.6466 mills

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

Deposits and Investments

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 the surplus funds investment pool act, Act. No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district.

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.

Inventory

Inventory is valued at the lower of cost (first in, first out) or market. Inventory in the food service fund consists of expendable supplies held for consumption. The cost is recorded as an expenditure when consumed rather than when purchased. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current position.

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

Columbia School District

Notes to the Financial Statements

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.

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

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

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

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: 1) pension and other postemployment benefits related items reporting in the government-wide statement of net position and 2) deferred charges associated with bond refundings. This amount represents the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. These amounts are expensed in the year in which they apply.

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,

Columbia School District

Notes to the Financial Statements

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 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.

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 District 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 (OPEB)

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 District 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 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*

Columbia School District

Notes to the Financial Statements

be recognized as an inflow of resources (revenue) until that time. The School District has three items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension and other postemployment benefit contributions subsequent to the measurement period. The second and third items 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.

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.

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.

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

Columbia School District

Notes to the Financial Statements

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.

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.

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 one expenditure in excess of the amount appropriated during the year ended June 30, 2023: pupil transportation (supporting services) with a final budget of \$971,372, an actual amount of \$1,578,102, and a negative variance of (\$606,730).

District-wide Deficits

The School District has an unrestricted net position deficit for district-wide activities in the amount of (\$18,838,977) and a deficit total net position of (\$13,673,978) as of June 30, 2023. The primary cause for the unrestricted net position deficit is the School District's net pension liability and net OPEB liability.

Columbia School District

Notes to the Financial Statements

Sinking Fund Compliance

The sinking fund records capital project activities funded with a sinking fund millage. For this fund, the School District has complied with the applicable provisions of §1212(1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and Sinking Funds in Michigan.

Note 3 - Deposits and Investments

A reconciliation of cash and investments as shown on the statement of net position follows:

Statement of net position	
Cash and investments	\$ 6,394,859
Statement of fiduciary net position	
Cash and investments	43,186
<i>Total cash and investments</i>	<u>\$ 6,438,045</u>
Deposits and investments	
Checking and savings accounts	\$ 6,221,630
Investments	216,415
<i>Total deposits and investments</i>	<u>\$ 6,438,045</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, \$5,909,926 of the School District's bank balance of \$6,659,926 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, 2023, none of the School District's investments were exposed to custodial credit risk since the securities are held in the School District's name by the counterparty. The School District's investments consisted of cash equivalents of \$182,194 and municipal bonds of \$34,221, as of June 30, 2023.

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

Columbia School District

Notes to the Financial Statements

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. The School District's investments: the municipal bonds are rated AA by the S&P with a fair market value of \$34,221 and the cash equivalents are not applicable to credit risk ratings.

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. The School District's municipal bonds are to mature within 10 – 15 years whereas the cash equivalents do not have a maturity date.

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 percentage of the total investment portfolio. All investments held at year-end are reported above.

Fair Value Measurements

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

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

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

Columbia School District

Notes to the Financial Statements

factors market participants would use in pricing an investment, and would be based on the best information available.

As of June 30, 2023, the fair value measurements of investments included municipal bonds of \$34,221 classified as Level 1 and cash equivalents of \$182,194 classified as Level 2.

Note 4 - Interfund Receivables, Payables, and Transfers

At June 30, 2023, interfund receivables and payables consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Food service	\$ 10,373

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.

For the year ending June 30, 2023, interfund transfers consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General	Food service	\$ 48,480

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 in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

For the year ended June 30, 2023, the School District's general fund received funds from its food service operation for indirect costs.

Note 5 - Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of unearned revenue include charges for services payments received prior to meeting all eligibility requirements in the amount of \$352,745.

Note 6 - 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.

Columbia School District

Notes to the Financial Statements

State funding provided approximately 54.2% of the total revenues to the School District during the June 30, 2023 fiscal year.

Note 7 - Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets not being depreciated:				
Land	\$ 23,700	\$ -	\$ -	\$ 23,700
Capital assets being depreciated:				
Buildings and improvements	43,457,675	-	-	43,457,675
Buses and other vehicles	193,991	-	16,040	177,951
Furniture and equipment	1,560,258	-	-	1,560,258
Right to Use - Bus	-	635,434	-	635,434
<i>Subtotal</i>	<u>45,211,924</u>	<u>635,434</u>	<u>16,040</u>	<u>45,831,318</u>
Less accumulated depreciation:				
Buildings and improvements	13,801,109	966,326	-	14,767,435
Buses and other vehicles	133,958	10,743	16,040	128,661
Furniture and equipment	779,704	133,096	-	912,800
Amortization Right to Use - Bus	-	115,536	-	115,536
<i>Subtotal</i>	<u>14,714,771</u>	<u>1,225,701</u>	<u>16,040</u>	<u>15,924,432</u>
Capital assets being depreciated, net	<u>30,497,153</u>	<u>(590,267)</u>	<u>-</u>	<u>29,906,886</u>
Capital assets, net	<u>\$ 30,520,853</u>	<u>\$ (590,267)</u>	<u>\$ -</u>	<u>\$ 29,930,586</u>

Depreciation expense for the fiscal year amounted to \$1,225,701 with \$941,890 allocated to instruction, \$136,774 to supporting services, \$69,286 to food service, and the remaining \$77,751 unallocated as the School District determined that it was impractical to allocate all depreciation expense to the various government activities as the capital assets serve multiple functions.

Note 8 - Long-term Obligations

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences.

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Notes to the Financial Statements

General obligation bonds consist of:

\$29,875,000 2014 building and site bonds, due in annual installments of \$580,000 to \$1,755,000 through May 1, 2043; interest ranging from 4.00% to 5.00%. \$ 785,000

\$26,470,000 2021 refunding bonds, due in annual installments of \$125,000 to \$1,655,000 through May 1, 2043; interest charged at 2.25% to 2.60%. 25,780,000

Total general obligation bonded debt \$ 26,565,000

Long-term obligation activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds					
2014 building and site bonds	\$ 1,535,000	\$ -	\$ (750,000)	\$ 785,000	\$ 785,000
2021 refunding bonds	25,905,000	-	(125,000)	25,780,000	170,000
Bonds premium	1,038,656	-	(49,460)	989,196	-
2022 bus capital lease obligation	-	635,434	(164,790)	470,644	153,024
Total general obligation bonds	<u>\$ 28,478,656</u>	<u>\$ 635,434</u>	<u>\$ (1,089,250)</u>	<u>\$ 28,024,840</u>	<u>\$ 1,108,024</u>
Deferred charge on bond refunding	<u>\$ 2,432,791</u>	<u>\$ -</u>	<u>\$ (115,847)</u>	<u>\$ 2,316,944</u>	<u>\$ -</u>
Compensated absences	<u>\$ 120,873</u>	<u>\$ -</u>	<u>\$ (30,960)</u>	<u>\$ 89,913</u>	<u>\$ -</u>

Annual debt service requirements, exclusive of capital lease obligation, compensated absences, and bond premiums and discounts, for long-term debt outstanding are as follows:

Year	Principal	Interest	Total
2024	\$ 955,000	\$ 641,363	1,596,363
2025	1,035,000	598,288	1,633,288
2026	1,105,000	575,000	1,680,000
2027	1,145,000	550,138	1,695,138
2028	1,170,000	524,375	1,694,375
2029-2033	6,270,000	2,214,288	8,484,288
2034-2038	7,010,000	1,475,795	8,485,795
2039-2043	7,875,000	608,710	8,483,710
	<u>\$ 26,565,000</u>	<u>\$ 7,187,955</u>	<u>\$ 33,752,955</u>

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Leases Payable

\$635,434 has been recorded as intangible right-to-use leases in capital assets. Due to the implementation of GASB Statement No. 87, *Leases*, each of these obligations met the criteria of a lease; thus, requiring them to be recorded. These assets will be amortized over their respective lease terms or useful lives, whichever is shorter. There are no residual value guarantees in the lease provisions.

At June 30, 2023, the capital lease payable consisted of \$635,434 for capital bus leases, due in monthly installments of \$13,732.50 through November 2025.

Annual debt service requirements for capital lease payable outstanding are as follows:

Year	Principal	Interest	Total
2024	\$ 153,024	\$ 11,766	164,790
2025	156,849	7,941	164,790
2026	160,771	4,019	164,790
	<u>\$ 470,644</u>	<u>\$ 23,726</u>	<u>\$ 494,370</u>

Note 9 - Net Investment in Capital Assets

As of June 30, 2023, net investment in capital assets was comprised of the following:

Capital assets, net of depreciation	\$ 29,930,586
Capital related debt:	
Bonds payable	(26,565,000)
Unamortized bond premium	(989,196)
Deferred charge on bond refunding	2,316,944
Capital lease obligation payable	<u>(470,644)</u>
Total capital related debt	<u>(25,707,896)</u>
Net investment in capital assets	<u>\$ 4,222,690</u>

Note 10 - Pension Plan

Plan Description

The Michigan Public School District Employees' Retirement System ("System" or "MPSERS") is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan and a fiduciary component unit of 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,

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Notes to the Financial Statements

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 disability benefits to public School District 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 District 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 [Michigan.gov/ORSSchool Districts](http://Michigan.gov/ORSSchoolDistricts).

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 District 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

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Notes to the Financial Statements

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, 2021, valuation will be amortized over a 17-year period beginning Oct. 1, 2021 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2022:

Benefit Structure	Member	Non-Universities
Basic	0.0 - 4.0%	20.14%
Member investment plan	3.0 - 7.0%	20.14%
Pension plus	3.0 - 6.4%	17.22%
Pension plus 2	6.2%	19.93%
Defined contribution	0.0%	13.73%

Required contributions to the pension plan from the School District were \$2,890,033 for the year ended September 30, 2022.

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

At June 30, 2023, the School District reported a liability of \$31,934,086 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. 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, 2021, the School District's proportion was 0.08491 percent, which was an increase of 0.00105 percent from its proportion measured as of September 30, 2021.

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Notes to the Financial Statements

For the year ending June 30, 2023, the School District recognized pension expense of \$4,186,248. At June 30, 2023, 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	\$ 319,452	\$ 71,401
Changes of assumptions	5,487,420	-
Net difference between projected and actual earnings on pension plan investments	74,885	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	721,085	18,340
Employer contributions subsequent to the measurement date	4,201,753	-
Total	\$ 10,804,595	\$ 89,741

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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year Ended September 30	Amount:
2023	\$ 1,998,213
2024	1,481,242
2025	1,172,243
2026	1,861,403

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

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Summary of Actuarial Assumptions

Valuation Date:	September 30, 2021
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP and Basic Plans:	6.00%, net of investment expenses
- Pension Plus Plan:	6.00%, net of investment expenses
- Pension Plus 2 Plan:	6.00%, net of investment expenses
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	
Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	RP-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, 2018 valuation. The total pension liability as of September 30, 2022, is based on the results of an actuarial valuation date of September 30, 2021, 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: 4.3922 for non-university employers.

Recognition period for assets in years is 5.0000.

Full actuarial assumptions are available in the 2022 MPSERS Annual Comprehensive Financial Report found on the ORS website at [Michigan.gov/ORSSchool Districts](https://Michigan.gov/ORSSchoolDistricts).

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

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(expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Domestic equity pools	25.0%	5.1%
Private equity pools	16.0	8.7
International equity pools	15.0	6.7
Fixed income pools	13.0	(0.2)
Real estate and infrastructure pools	10.0	5.3
Absolute return pools	9.0	2.7
Real return/opportunistic pools	10.0	5.8
Short-term investment pools	2.0	(0.5)
Total	100.0%	

*Long-term rates of return are net of administrative expenses and 2.2% inflation.

Rate of Return

For the fiscal year ended September 30, 2022, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was (4.18%). The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.00% was used to measure the total pension liability (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.00% (6.00% for the Pension Plus plan, 6.00% 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,

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Notes to the Financial Statements

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

1% Decrease (Non-Hybrid/Hybrid) 5.00%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) 6.00%	1% Increase (Non-Hybrid/Hybrid) 7.00%
\$42,141,130	\$31,934,086	\$23,523,022

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

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS ACFR, available on the ORS website at [Michigan.gov/ORSSchool Districts](http://Michigan.gov/ORSSchoolDistricts).

Note 11 - Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

The Michigan Public School District Employees' Retirement System ("System" or "MPERS") is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan and a fiduciary component unit of 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 District Employees' Retirement Act (1980 PA 300 as amended).

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

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Notes to the Financial Statements

The System's financial statements are available on the ORS website at [Michigan.gov/ORSSchool Districts](http://Michigan.gov/ORSSchoolDistricts).

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 Jan. 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 District 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.

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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, 2021, valuation will be amortized over a 17-year period beginning Oct. 1, 2021 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2022:

Benefit Structure	Member	Non-Universities
Premium subsidy	3.00%	8.09%
Personal healthcare fund (PHF)	0.00%	7.23%

Required contributions to the OPEB plan from the School District were \$557,646 for the year ended September 30, 2022.

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

At June 30, 2023, the School District reported a liability of \$1,773,886 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2021. 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, 2022, the School District's proportion was 0.08375%, which was a decrease of 0.00029% from its proportion measured as of October 1, 2021.

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For the year ending June 30, 2023, the School District recognized OPEB expense of negative (\$653,404). At June 30, 2023, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ 3,474,362
Changes of assumptions	1,581,121	128,744
Net difference between projected and actual earnings on pension plan investments	138,643	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	183,872	43,048
Employer contributions subsequent to the measurement date	556,780	-
Total	\$ 2,460,416	\$ 3,646,154

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, 2024. 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:
2023	\$ (618,858)
2024	(534,926)
2025	(501,951)
2026	(50,342)
2027	(36,055)
Thereafter	(386)

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.

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Notes to the Financial Statements

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2021
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.00%, net of investment expenses
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post-65: 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
Mortality:	
Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Other Assumptions:	
Opt-Out Assumption	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

Notes:

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September. 30, 2018 valuation. The total OPEB liability as of September. 30, 2022, is based on the results of an actuarial valuation date of September. 30, 2021, 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: 6.2250 for non-university employers.

Recognition period for assets in years is 5.0000.

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Notes to the Financial Statements

Full actuarial assumptions are available in the 2022 MPSERS Annual Comprehensive Financial Report found on the ORS website at [Michigan.gov/ORSSchool Districts](https://Michigan.gov/ORSSchoolDistricts).

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, 2022, are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Domestic equity pools	25.0%	5.1%
Private equity pools	16.0	8.7
International equity pools	15.0	6.7
Fixed income pools	13.0	(0.2)
Real estate and infrastructure pools	10.0	5.3
Absolute return pools	9.0	2.7
Real return/opportunistic pools	10.0	5.8
Short-term investment pools	2.0	(0.5)
Total	100.0%	

*Long-term rates of return are net of administrative expenses and 2.2% inflation.

Rate of Return

For the fiscal year ended September. 30, 2022, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was (4.99%). The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.00% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.00%. 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

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these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following presents the School District's proportionate share of the net OPEB liability calculated using the discount rate of 6.00%, 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 higher:

1% Decrease	Current Discount Rate	1% Increase
5.00%	6.00%	7.00%
\$2,975,522	\$1,773,886	\$761,958

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

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$742,818	\$1,773,886	\$2,931,279

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2022 MPSERS ACFR, available on the ORS website at [Michigan.gov/ORSSchool Districts](https://Michigan.gov/ORSSchoolDistricts).

Note 12 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the School District carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years.

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Notes to the Financial Statements

Note 13 - Contingent Liabilities

Amounts received or receivable from grantor agencies are subjected to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time although the School District expects such amounts, if any, to be immaterial.

Note 14 - Subsequent Events and Commitments

The Administration and Board of Education is not aware of any subsequent events that would have a significant impact on the financial condition of the School District.

Note 15 - Adoption of GASB Statement No. 87, *Leases*

The School District adopted the provisions of GASB Statement No. 87, *Leases*, in the current year, which improves accounting and financial reporting for leases by governments. This statement requires 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 an 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. Detailed information can be found in notes 8 of these notes to the financial statements.

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, 2023

	Budgeted Amounts			Variance Positive (Negative) Final to Actual
	Original	Final	Actual	
Revenues				
Local sources	\$ 5,119,568	\$ 5,394,373	\$ 5,374,371	\$ (20,002)
State sources	11,930,605	13,394,437	13,372,440	(21,997)
Federal sources	264,477	1,898,183	1,799,918	(98,265)
Interdistrict sources and other	707,027	706,366	744,708	38,342
Total Revenues	18,021,677	21,393,359	21,291,437	(101,922)
Other Financing Sources				
Inception of lease	--	--	635,434	635,434
Transfers in	40,000	48,480	48,480	--
Total Revenues and Other Financing Sources	18,061,677	21,441,839	21,975,351	533,512
Expenditures				
Instruction				
Basic programs	9,377,834	11,265,180	10,956,236	308,944
Added needs	1,594,180	1,777,988	1,746,690	31,298
Adult and continuing education	186,413	224,444	222,034	2,410
Total instruction	11,158,427	13,267,612	12,924,960	342,652
Supporting services				
Pupil	1,011,604	986,960	968,953	18,007
Instruction Staff	376,907	543,931	500,081	43,850
General administration	515,100	548,778	542,506	6,272
School administration	1,092,157	1,033,336	1,031,310	2,026
Business services	331,170	421,669	411,262	10,407
Operations and maintenance	1,835,819	1,788,791	1,782,646	6,145
Pupil transportation	924,100	971,372	1,578,102	(606,730)
Central services	17,908	12,357	11,872	485
Athletic activities	542,700	618,950	582,072	36,878
Total supporting services	6,647,465	6,926,144	7,408,804	(482,660)
Community services	205,250	301,056	292,317	8,739
Facilities acquisition, construction, and improvements	228,000	112,979	75,152	37,827
Debt service	120,802	--	--	--
Total Expenditures	18,359,944	20,607,791	20,701,233	(93,442)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures	(298,267)	834,048	1,274,118	440,070
Net Change in Fund Balance	(298,267)	834,048	1,274,118	440,070
Fund Balance at Beginning of Period	3,884,164	3,884,164	3,884,164	--
Fund Balance at End of Period	\$ 3,585,897	\$ 4,718,212	\$ 5,158,282	\$ 440,070

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School District's Portion of Net Pension Liability (%)	0.08491%	0.08386%	0.08237%	0.07987%	0.07965%	0.08088%	0.07890%	0.07370%	0.06907%
School District's Proportionate Share of Net Pension Liability	\$ 31,934,086	\$ 19,854,603	\$ 28,293,366	\$ 26,451,030	\$ 23,943,128	\$ 20,959,742	\$ 19,692,402	\$ 18,001,450	\$ 15,213,653
School District's Covered Payroll	\$ 8,250,066	\$ 7,686,791	\$ 7,515,337	\$ 7,139,511	\$ 6,763,315	\$ 6,787,069	\$ 6,875,410	\$ 6,282,114	\$ 5,949,287
School District's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	387.08%	258.30%	376.48%	370.49%	354.01%	308.82%	286.42%	286.55%	255.72%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	60.77%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily Required Contributions	\$ 2,890,033	\$ 2,518,050	\$ 2,263,505	\$ 2,121,839	\$ 2,168,787	\$ 1,897,092	\$ 1,772,415	\$ 1,773,903	\$ 1,354,250
Contributions in Relation to Statutorily Required Contributions	<u>(2,890,033)</u>	<u>(2,518,050)</u>	<u>(2,263,505)</u>	<u>(2,121,839)</u>	<u>(2,168,787)</u>	<u>(1,897,092)</u>	<u>(1,772,415)</u>	<u>(1,773,903)</u>	<u>(1,354,250)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 9,338,509	\$ 8,023,774	\$ 7,602,207	\$ 7,488,190	\$ 7,033,037	\$ 6,713,636	\$ 6,802,121	\$ 6,501,000	\$ 6,238,072
Contributions as a Percentage of Covered Payroll	30.95%	31.38%	29.77%	28.34%	30.84%	28.26%	26.06%	27.29%	21.71%

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School District's Portion of Net OPEB Liability (%)	0.08375%	0.08404%	0.08416%	0.08126%	0.07920%	0.08099%
School District's Proportionate Share of Net OPEB Liability	\$ 1,773,886	\$ 1,282,755	\$ 4,508,675	\$ 5,832,383	\$ 6,295,247	\$ 7,172,218
School District's Covered Payroll	\$ 8,250,066	\$ 7,686,791	\$ 7,515,337	\$ 7,139,511	\$ 6,763,315	\$ 6,787,069
School District's Proportionate Share of Net OPEB Liability as a Percentage of its Covered Payroll	21.50%	16.69%	59.99%	81.69%	93.08%	105.67%
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	83.09%	87.33%	59.44%	48.46%	42.95%	36.39%

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily Required Contributions	\$ 637,955	\$ 623,860	\$ 594,611	\$ 557,913	\$ 514,058	\$ 630,556
Contributions in Relation to Statutorily Required Contributions	<u>(637,955)</u>	<u>(623,860)</u>	<u>(594,611)</u>	<u>(557,913)</u>	<u>(514,058)</u>	<u>(630,556)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 9,338,509	\$ 8,023,774	\$ 7,602,207	\$ 7,488,190	\$ 7,033,037	\$ 6,713,636
Contributions as a Percentage of Covered Payroll	6.83%	7.78%	7.82%	7.45%	7.31%	9.39%

Combining and Individual Fund Statements and Schedules

**Columbia School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023**

	<u>Special Revenue</u>		<u>Debt Service</u>	<u>Capital Projects</u>	Total Nonmajor Governmental Funds
	<u>Food Service</u>	<u>Student Activity</u>	<u>2014 Debt Service</u>	<u>Sinking Fund</u>	
ASSETS					
Cash and investments	\$ 373,955	\$ 338,263	\$ 180,402	\$ 447,458	\$ 1,340,078
Due from other governmental units	4,789	--	--	--	4,789
Inventory	16,102	--	--	--	16,102
<i>Total Assets</i>	<u>\$ 394,846</u>	<u>\$ 338,263</u>	<u>\$ 180,402</u>	<u>\$ 447,458</u>	<u>\$ 1,360,969</u>
LIABILITIES					
Accounts payable	\$ 55,299	\$ --	\$ --	\$ --	\$ 55,299
Salaries payable	2,710	--	--	--	2,710
Accrued expenditures	12,015	--	--	--	12,015
Due to other funds	10,373	--	--	--	10,373
<i>Total Liabilities</i>	<u>80,397</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>80,397</u>
FUND BALANCE					
Nonspendable	16,102	--	--	--	16,102
Restricted	298,347	--	180,402	447,458	926,207
Committed	--	338,263	--	--	338,263
Unassigned	--	--	--	--	--
<i>Total Fund Balance</i>	<u>314,449</u>	<u>338,263</u>	<u>180,402</u>	<u>447,458</u>	<u>1,280,572</u>
<i>Total Liabilities and Fund Balance</i>	<u>\$ 394,846</u>	<u>\$ 338,263</u>	<u>\$ 180,402</u>	<u>\$ 447,458</u>	<u>\$ 1,360,969</u>

Columbia School District
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	<u>Special Revenue</u>		<u>Debt Service</u>	<u>Capital Projects</u>	Total Nonmajor Governmental Funds
	<u>Food Service</u>	<u>Student Activity</u>	<u>2014 Debt Service</u>	<u>Sinking Fund</u>	
Revenues					
Local sources	\$ 249,222	\$ 467,788	\$ 1,563,092	\$ 473,098	\$ 2,753,200
State sources	31,215	--	--	--	31,215
Federal sources	636,056	--	--	--	636,056
<i>Total Revenues</i>	916,493	467,788	1,563,092	473,098	3,420,471
Expenditures					
Supporting services	--	460,953	--	--	460,953
Food services	873,441	--	--	--	873,441
Debt service, principal	--	--	875,000	--	875,000
Debt service, interest	--	--	681,386	--	681,386
Facilities acquisition, construction, and improvements	--	--	--	25,640	25,640
<i>Total Expenditures</i>	873,441	460,953	1,556,386	25,640	2,916,420
<i>Excess of Revenues Over (Under) Expenditures</i>	43,052	6,835	6,706	447,458	504,051
Other Financing Sources (Uses)					
Transfers out	(48,480)	--	--	--	(48,480)
<i>Net Other Financing Sources (Uses)</i>	(48,480)	--	--	--	(48,480)
<i>Net Change in Fund Balance</i>	(5,428)	6,835	6,706	447,458	455,571
<i>Fund Balance at Beginning of Period</i>	319,877	331,428	173,696	--	825,001
<i>Fund Balance at End of Period</i>	\$ 314,449	\$ 338,263	\$ 180,402	\$ 447,458	\$ 1,280,572

**COLUMBIA SCHOOL DISTRICT
BROOKLYN, MICHIGAN
SINGLE AUDIT COMPLIANCE
YEAR ENDED JUNE 30, 2023**

Columbia School District
Schedule of Expenditures of Federal Awards
June 30, 2023

<u>Federal Grantor / Pass-through Grantor / Program / Project Number</u>	<u>Assistance Listing Number</u>	<u>Program or Award Amount</u>	<u>Prior Year Expenditures (Memorandum Only)</u>	<u>Accrued Revenue at July 1, 2022</u>	<u>Current Year Receipts</u>	<u>Current Year Expenditures</u>	<u>Accrued Revenue at June 30, 2023</u>
U.S. Department of Agriculture:							
<i>Passed Through Michigan Department of Education:</i>							
Child Nutrition Cluster:							
221970 School Breakfast Program	10.553	\$ 17,458	\$ -	\$ -	\$ 17,458	\$ 17,458	\$ -
231970 School Breakfast Program	10.553	150,499	-	-	150,499	150,499	-
221961 Supply Chain Assistance	10.555	5,265	-	-	5,265	5,265	-
221960 Supply Chain Assistance	10.555	43,819	-	-	43,819	43,819	-
231960 Supply Chain Assistance	10.555	313,423	-	-	313,423	313,423	-
220910 Supply Chain Assistance	10.555	31,819	-	-	31,819	31,819	-
230910 Supply Chain Assistance	10.555	19,956	-	-	19,956	19,956	-
Non-cash Assistance (NSLP-USDA Commodities)	10.555	43,177	-	-	43,177	43,177	-
Non-cash Assistance (NSLP-USDA Bonus Commodities)	10.555	482	-	-	482	482	-
Total Child Nutrition Cluster		625,898	-	-	625,898	625,898	-
221920 CACFP Meals	10.558	262	-	-	262	262	-
231920 CACFP Meals	10.558	2,430	-	-	2,430	2,430	-
230985 Local Food for Schools	10.185	6,838	-	-	6,838	6,838	-
COVID-19 220980 Pandemic EBT Local Costs	10.649	628	-	-	628	628	-
Total U.S. Department of Agriculture		636,056	-	-	636,056	636,056	-
U.S. Department of Education:							
<i>Passed Through Michigan Department of Education:</i>							
Title I, Part A - Educationally Deprived							
221530 2122	84.010	192,238	192,238	8,631	8,631	-	-
231530 2223	84.010	160,627	-	-	160,627	160,627	-
Total Title I, Part A		\$ 352,865	\$ 192,238	\$ 8,631	\$ 169,258	\$ 160,627	\$ -

See Notes to the Schedule of Expenditures of Federal Awards

Columbia School District
Schedule of Expenditures of Federal Awards
June 30, 2023

<i>Federal Grantor / Pass-through Grantor / Program / Project Number</i>	<i>Assistance Listing Number</i>	<i>Program or Award Amount</i>	<i>Prior Year Expenditures (Memorandum Only)</i>	<i>Accrued Revenue at July 1, 2022</i>	<i>Current Year Receipts</i>	<i>Current Year Expenditures</i>	<i>Accrued Revenue at June 30, 2023</i>
U.S. Department of Education (Continued):							
Title II, Part A - Improving Teacher Quality State Grants							
220520 2122	84.367	\$ 45,551	\$ 43,494	\$ 4,224	\$ 4,224	\$ -	\$ -
230520 2223	84.367	35,182	-	-	35,182	35,182	-
Total Title II, Part A		80,733	43,494	4,224	39,406	35,182	-
Title IV, Part A - Student Support and Academic Enrichment							
230750 2223	84.424	14,262	-	-	14,262	14,262	-
Total Title IV, Part A		14,262	-	-	14,262	14,262	-
ESSER - Formula/Education Equity							
COVID-19 213713 2122 ARP/Essex III	84.425U	1,372,487	58,100	58,100	1,372,487	1,314,387	-
COVID-19 213723 2122 ARP/Essex III	84.425U	265,363	-	-	265,363	265,363	-
Total ESSER		1,637,850	58,100	58,100	1,637,850	1,579,750	-
Total Passed Through Michigan Department of Education		2,721,766	293,832	70,955	2,496,832	2,425,877	-
<i>Passed Through Jackson County Intermediate School District:</i>							
Title III, Part A - English Language Acquisition State Grants							
2223 McKinney - Vinto Homeless	84.196	2,952	-	-	2,070	2,070	-
Total U.S. Department of Education		2,088,662	293,832	70,955	1,862,846	1,791,891	-
U.S. Department of Health and Human Services:							
<i>Passed Through Jackson County Intermediate School District:</i>							
22-23 Medicaid Outreach (Medicaid Cluster)	93.778	8,027	-	-	8,027	8,027	-
Total U.S. Department of Health and Human Services		8,027	-	-	8,027	8,027	-
Total Federal Financial Assistance		\$ 2,732,745	\$ 293,832	\$ 70,955	\$ 2,506,929	\$ 2,435,974	\$ -

See Notes to the Schedule of Expenditures of Federal Awards

Columbia School District

Notes to the Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Columbia School District (the "School District") under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position or cash flows of the School District.

Note 2 - Summary of Significant Accounting Policies

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

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

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

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

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

Note 3 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The grantee received no noncash assistance during the year ended June 30, 2023 that is not included on the schedule of expenditures of federal awards.

Columbia School District

Notes to the Schedule of Expenditures of Federal Awards

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

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

Federal sources per basic financial statements	<u>\$ 2,534,239</u>
ARP Funds not subject to single audit	<u>(98,265)</u>
Total federal expenditure per SEFA	<u>\$ 2,435,974</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS*

To the Board of Education
Columbia School District
Brooklyn, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Columbia School District (the "School District"), as of and for the year ended June 30, 2023, 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 31, 2023.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink that reads "Gabridge & Company". The script is cursive and fluid, with the ampersand being particularly stylized.

Gabridge & Company, PLC
Grand Rapids, MI
October 31, 2023

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

To the Board of Education
Columbia School District
Brooklyn, Michigan

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Columbia School District's (the "School District") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2023. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the

requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of

compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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



Gabridge & Company, PLC
Grand Rapids, MI
October 31, 2023

**Columbia School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

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

Identification of Major Programs

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number</u>
Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security Act	84.425
Dollar threshold used to distinguish between Type A and B programs?	\$750,000
Auditee qualified as a low-risk auditee?	No

SECTION II - FINANCIAL STATEMENT FINDINGS
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No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
--

No matters were reported.

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

No matters were reported.

October 31, 2023

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, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, 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 July 18, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School District are described in Note 1 to the financial statements. There were no new accounting policies adopted and, except as stated in Note 15 to the financial statements, the application of existing policies was not changed during the fiscal year ended 2023. 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 31, 2023.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

As required by the OMB Uniform Guidance, we have also completed an audit of the federal programs administered by the School District. The results of that audit are provided to the Board of Education in our report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with the OMB Uniform Guidance dated October 31, 2023.

Other Matters

We applied certain limited procedures to management's discussion and analysis, the pension and OPEB schedules, and the budgetary comparison schedule, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Restriction on Use

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

Very truly yours,

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

Gabridge & Company, PLC
Grand Rapids, MI
October 31, 2023