

**Columbia School District**

Financial Report  
With Supplemental Information

Year Ended June 30, 2016

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## **Independent Auditors' Report**

Board of Education  
Columbia School District  
Brooklyn, Michigan

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Columbia School District, as of and for the year ended June 30, 2016, 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.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Columbia School District as of June 30, 2016, and the respective changes in financial position, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Columbia School District's basic financial statements. The schedules of bonded indebtedness are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of bonded indebtedness 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 September 15, 2016, on our consideration of Columbia 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Columbia School District's internal control over financial reporting and compliance.

*Willis & Jurasek, P.C.*

Willis & Jurasek, P.C.  
Jackson, Michigan

September 15, 2016

**Columbia School District**  
Management's Discussion and Analysis  
Year Ended June 30, 2016

Columbia School District is a K-12 school district located in Brooklyn, Michigan (covering portions of Jackson, Hillsdale, Lenawee and Washtenaw Counties). As administration of Columbia School District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016.

**Financial Highlights**

- As of the close of the current fiscal year, the District's aggregated fund balance for the District's governmental funds was \$1,844,928.
- The taxpayers of the District approved bonded debt to make improvements to the school facilities. Current year tax levies to make the annual related debt payments were at 3.22 mills. The capital projects (two) were still in progress at year-end. The capital projects included purchase of furnishings, new floor coverings, new boilers, upgraded technology wiring, wireless hubs, switches, new roofs, new windows, new doors, new window covering, new lights, new sidewalks, new parking lots, new flagpole, new awning at entry ways, new plumbing and fixtures, new hand dryers, new lock system and new computers, iPads and Chromebooks. The property tax revenue for the fiscal year restricted to bonded debt payments totaled approximately \$1,950,000.
- The District's total net position decreased by \$447,679. The decrease is primarily due to increased staffing costs, advertising, and the change in the Net Pension Liability.
- The General Fund had a net change in fund balance of \$(407,970). At the end of the year, the total fund balance for the General Fund was \$964,832 or 7.0 percent of the total General Fund expenditures.
- Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, was implemented during the prior fiscal year. The purpose of this standard is to improve accounting and financial reporting for pensions. It established standards for measuring and recognizing pension liabilities, pension expenses, and the related deferred inflows and deferred outflows of resources. Implementation of this standard requires recording of the full unfunded portion of the District's pension plan administered through the Michigan Public School Employees' Retirement System (MPSERS). The unfunded pension liability has been established through actuarial valuations and will be amortized over a 22 year period beginning with the plan's fiscal year-end of September 30, 2014. With the recording of this pension liability, the liabilities of the District exceeded its assets. The balance of the net position at the close of the most recent fiscal year was \$(9,129,997) (negative net position).

**Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the District financially as a whole. The District-Wide Financial Statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The financial statements then proceed to provide an increasingly detailed look at specific financial activities included in the fund financial statements. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements provide information about the School District's most significant fund – the General Fund, as well as other major and nonmajor funds.

**Columbia School District**  
Management's Discussion and Analysis  
Year Ended June 30, 2016

**Reporting the District as a Whole**

**The Statement of Net Position and Statement of Activities** – One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities, which appear first in the School District's financial statements, report information about the District as a whole and about its activities in a manner that helps to answer this question. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by private-sector corporations.

**Governmental Activities** – The Statement of Net Position and Statement of Activities report the governmental activities for the District. These services include instruction, support services, community services, athletics, food services, and transfers to other local districts. Property taxes, intergovernmental revenues (unrestricted and restricted State Aid), and charges for services finance most of these activities. All of the current year's revenues and expenses for these services are taken into consideration regardless of when cash is received or paid.

The Statement of Net Position reports the District's net position, the difference between assets and liabilities. The Statement of Activities reports the District's change in net position, the revenues less expenses for the fiscal year, either as an increase or a decrease, or in other words, the operating results for the year. However, the School District's goal is to provide services to our students, not to generate profits, as private-sector corporations do.

These two statements report the District's net position and changes in net position. The change in net position provides the reader a tool to assist in determining whether the District's financial health is improving or deteriorating. The reader will need to consider other non-financial factors such as property tax base, political conditions at the State Capitol, student enrollment growth, birth rates, and facility conditions in arriving at their conclusion regarding the overall health of the District.

The district-wide financial statements can be found on pages 1- 2 of this report.

**Reporting the District's Most Significant Funds**

**Fund Financial Statements** – The fund financial statements provide detailed information about the most significant funds – not the District as a whole. The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's *Accounting Manual*.

**Governmental Funds** – Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can readily be converted to cash. In the fund financial statements, capital assets are reported as expenditures in the year of acquisition. No capital assets are reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future years' debt obligations are not recorded.

The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or less financial resources available to spend in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

The basic governmental fund financial statements can be found on pages 3 and 5 of this report.

**Columbia School District**  
Management's Discussion and Analysis  
Year Ended June 30, 2016

**Fiduciary Funds** – The District is the fiduciary for various student group activities and a scholarship fund. We exclude these activities from the District's other financial statements because the assets cannot be utilized by the District to finance its operations. The District's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position and are presented on the full accrual basis of accounting.

The basic fiduciary fund financial statements can be found on pages 7 and 8 of this report.

**Additional Information** – The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to Financial Statements can be found on pages 9 – 23 of this report.

**Government-Wide Financial Analysis**

The government-wide financial analysis focuses on the net position and changes in net position of the District's governmental activities. As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

The following is a summary of the School District's net position as of June 30, 2016 and 2015:

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
Current assets	\$ 3,423,721	\$ 22,974,624
Non-current assets	<u>35,238,520</u>	<u>20,808,544</u>
Total assets	<u>38,662,241</u>	<u>43,783,168</u>
 Deferred outflows of resources	 <u>3,074,769</u>	 <u>1,656,153</u>
Current liabilities	1,801,475	6,619,177
Non-current liabilities	<u>47,696,450</u>	<u>44,972,353</u>
Total liabilities	<u>49,497,925</u>	<u>51,591,530</u>
 Deferred inflows of resources	 <u>1,369,082</u>	 <u>2,530,109</u>
 Net position:		
Net investment in capital assets – net of related debt	4,880,632	5,127,821
Restricted	541,913	318,544
Unrestricted	<u>(14,552,542)</u>	<u>(14,128,683)</u>
Total net position	<u>\$ (9,129,997)</u>	<u>\$ (8,682,318)</u>

The above analysis focuses on the net position. The change in net position of the School District's governmental activities is discussed below. The net position differs from fund balances and a reconciliation appears on page 4.

By far the largest portion of the District's positive net position, \$4,880,632, reflects its investment in capital assets (i.e. land, buildings, vehicles, and equipment) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Columbia School District**  
Management's Discussion and Analysis  
Year Ended June 30, 2016

*Restricted* net position of \$541,913 represents resources that are subject to external restrictions on how they may be used. In the case of the School District, these included amounts restricted for scholarships and capital projects. The *unrestricted* balance of \$(14,552,542), which is a *negative* net position, is negative as a result of the pension liability. The pension liability at fiscal year-end is expected to be reduced to \$0 over a 22-year period.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities which shows the change in net position for fiscal year 2016.

The following is a summary of the change in net position for the years ended June 30, 2016 and 2015:

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
Revenues:		
Program revenues:		
Charges for services	\$ 432,597	\$ 435,984
Operating grants	2,465,576	2,628,817
General revenues:		
Property taxes – general purposes	4,403,714	4,460,158
Property taxes – debt service	1,950,090	1,818,122
Grants and state aid	5,744,640	5,552,250
Other	280,884	288,014
Total revenues	<u>15,277,501</u>	<u>15,183,345</u>
Functions/Program Expenses:		
Instruction	8,756,250	8,302,592
Support services	4,815,879	4,505,447
Community services	208,510	201,450
Food service activities	509,768	470,999
Capital outlay	-	9,583
Interest	1,328,512	1,490,260
Depreciation (unallocated)	106,261	99,604
Total expenses	<u>15,725,180</u>	<u>15,079,935</u>
Increase in net position	(447,679)	103,410
Net position beginning of year	<u>(8,682,318)</u>	<u>(8,785,728)</u>
Ending net position	<u>\$ (9,129,997)</u>	<u>\$ (8,682,318)</u>

During the current fiscal year, the District's net position decreased by \$447,679. The decrease in net position differs from the change in fund balances and a reconciliation appears on page 6.

The net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State Aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted resources.

**Columbia School District**  
Management's Discussion and Analysis  
Year Ended June 30, 2016

**General Fund Budgeting and Operating Highlights**

The School District's budgets are prepared according to Michigan Law. The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year. The most significant budgeted funds are the General Fund and the nonmajor Food Service Fund.

The General Fund actual revenues and other financing sources were \$13,303,181. That amount is less than the amended budget estimate of \$13,451,513 by a \$148,332 variance.

The actual expenditures and other financing uses of the General Fund were \$13,711,151 which is below the amended budget estimate of \$13,919,599 by \$208,448. The \$208,448 variance (1.50%) was due to grant funds carryover/deferred, contracted services decreased, heating fuel cost decreased, and gasoline prices decreased.

As a matter of practice, the District amends its budget formally in January and again in June. However, during the course of the year, the Board of Education is appraised as to any significant factors contributing to a change from the adopted budget. The June 2016 budget amendment was the final budget for the fiscal year. A schedule showing the School District's General Fund original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

The General Fund had total revenues of \$13,303,181 and total expenditures of \$13,711,151 with a net change in fund balance of \$(407,970) and an ending fund balance of \$964,832.

**Capital Asset and Debt Administration**

**Capital Assets** – At the end of the fiscal year 2016, the School District had \$44,892,476 invested in land and buildings, furniture and equipment, vehicles and buses. Of this amount, \$9,653,956 in depreciation has been taken over the years. We currently have a net book value of \$35,238,520.

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
Land	\$ 23,700	\$ 23,700
Construction in progress	-	15,233,594
Buildings and improvements	43,142,383	12,823,319
Buses and vehicles	795,212	787,123
Furniture and equipment	931,181	882,120
Total capital assets	44,892,476	29,749,856
Less accumulated depreciation	9,653,956	8,941,312
Net capital assets	\$ 35,238,520	\$ 20,808,544

Capital asset activity consisted of the continued building renovations which are nearing completion.

**Columbia School District**  
Management's Discussion and Analysis  
Year Ended June 30, 2016

**Long-Term Debt** – At June 30, 2016, the District had total bonded debt of \$29,540,000 plus related charges detailed as follows.

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
2006 Energy Bonds	\$ 450,000	\$ 530,000
2014 Building & Site Bonds	29,090,000	29,650,000
Bond premium and refunding charges	<u>817,888</u>	<u>848,180</u>
Total	<u>\$30,357,888</u>	<u>\$31,028,180</u>

The District's bonded debt outstanding decreased by \$640,000 during the current fiscal year.

State statutes limit the amount of general obligation debt that a school district may issue to 15 percent of its total assessed valuation (State Equalized Value). The current outstanding general obligation debt for Columbia School District is below the current debt limitation.

Additional information on the District's long-term debt can be found in Note 7 starting on page 16 of this report.

**Economic Factors and the Budget Development Process**

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

In the recent past, the State of Michigan has issued several executive orders prorating and reducing, mid-year, the State's funding commitment to the District. The School District's recent budgetary history reflects how it has made every effort over the past decade to prepare for and excel programmatically while meeting the challenges of the State's struggling economy. It is the intention of the School District to provide premium programming within a balanced operating budget environment.

**Requests for Information**

This financial report is designed to provide a general overview of the Columbia School District finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Dr. Pamela Campbell, Superintendent  
Columbia School District  
11775 Hewitt Road  
Brooklyn, Michigan 49230

Phone (517) 592-6641  
Fax (517) 592-8090  
E-mail Pamela.Campbell@myeagles.org

**Columbia School District**

Statement of Net Position

June 30, 2016

	<b>Governmental Activities</b>
<b>Assets:</b>	
Cash and investments	\$ 1,929,962
Due from other governmental units	1,474,143
Inventories	7,954
Prepaid expenditures	11,662
Capital assets:	
Cost of capital assets	44,892,476
Less: accumulated depreciation	<u>(9,653,956)</u>
Net capital assets	<u>35,238,520</u>
Total assets	<u>38,662,241</u>
 <b>Deferred Outflows of Resources:</b>	
Pension related	3,074,769
Total deferred outflows of resources	<u>3,074,769</u>
 <b>Liabilities:</b>	
Accounts payable and accrued expenses	1,560,643
Accrued interest	222,682
Unearned revenue	18,150
Long-term liabilities:	
Due within one year:	
Bonds payable	665,000
Compensated absences	15,000
Due in more than one year:	
Bonds payable	28,875,000
Compensated absences	140,000
Net pension liability	18,001,450
Total liabilities	<u>49,497,925</u>
 <b>Deferred Inflows of Resources:</b>	
Bond premiums	817,888
Pension related	551,194
Total deferred inflows of resources	<u>1,369,082</u>
 <b>Net Position:</b>	
Net investment in capital assets	4,880,632
Restricted for:	
Scholarships	21,516
Capital projects	520,397
Unrestricted	<u>(14,552,542)</u>
Total net position	<u>\$ (9,129,997)</u>

See Notes to Financial Statements.

**Columbia School District**  
Statement of Activities  
Year Ended June 30, 2016

<u>Functions/Programs</u>	<u>Program Revenue</u>			<u>Governmental</u>
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating Grants</u>	<u>Activities</u>
		<u>Services</u>	<u>and</u>	<u>Net (Expenses)</u>
			<u>Contributions</u>	<u>Revenues and</u>
				<u>Change in</u>
				<u>Net Position</u>
<b>Primary Government</b>				
Governmental activities:				
Instruction	\$ 8,756,250	\$ -	\$ 2,040,586	\$ (6,715,664)
Support services	4,815,879	70,920	52,011	(4,692,948)
Food service activities	509,768	186,766	372,979	49,977
Community services	208,510	174,911	-	(33,599)
Interest on long-term debt	1,328,512	-	-	(1,328,512)
Depreciation (unallocated)	106,261	-	-	(106,261)
Total governmental activities	<u>\$ 15,725,180</u>	<u>\$ 432,597</u>	<u>\$ 2,465,576</u>	<u>(12,827,007)</u>
<b>General Revenues:</b>				
Taxes:				
Property taxes, levied for general purposes				4,403,714
Property taxes, levied for debt service				1,950,090
State aid not restricted to specific purposes				5,744,640
Investment earnings				18,063
Other				262,821
Total general revenues				<u>12,379,328</u>
<b>Change in Net Position</b>				(447,679)
<b>Net Position - Beginning of Year</b>				<u>(8,682,318)</u>
<b>Net Position - End of Year</b>				<u>\$ (9,129,997)</u>

See Notes to Financial Statements.

**Columbia School District**

Balance Sheet  
Governmental Funds  
June 30, 2016

	<u>General Fund</u>	<u>Capital Project Fund #1</u>	<u>2014 Debt Service Fund</u>	<u>Nonmajor</u>		<u>Total Governmental Funds</u>
				<u>Capital Project Fund #2</u>	<u>Food Service</u>	
<b><u>Assets</u></b>						
Cash and investments	\$ 826,772	\$ 401,976	\$ 175,973	\$ 310,661	\$ 214,580	\$ 1,929,962
Due from other funds	35,000	-	-	-	-	35,000
Due from other governments	1,470,337	-	171	-	3,635	1,474,143
Inventories	-	-	-	-	7,954	7,954
Prepaid expenditures	11,662	-	-	-	-	11,662
<b>Total assets</b>	<b>\$ 2,343,771</b>	<b>\$ 401,976</b>	<b>\$ 176,144</b>	<b>\$ 310,661</b>	<b>\$ 226,169</b>	<b>\$ 3,458,721</b>
<b><u>Liabilities and Fund Balances</u></b>						
<b>Liabilities:</b>						
Accounts payable	\$ 47,105	\$ 73,243	\$ -	\$ 118,997	\$ 1,530	\$ 240,875
Due to other funds	-	-	-	-	35,000	35,000
Unearned revenue	18,150	-	-	-	-	18,150
Salaries payable	777,868	-	-	-	-	777,868
Accrued expenditures	535,816	-	-	-	6,084	541,900
<b>Total liabilities</b>	<b>1,378,939</b>	<b>73,243</b>	<b>-</b>	<b>118,997</b>	<b>42,614</b>	<b>1,613,793</b>
<b>Fund Balances:</b>						
Nonspendable:						
Inventories	-	-	-	-	7,954	7,954
Prepaid expenditures	11,662	-	-	-	-	11,662
Restricted:						
Scholarships	21,516	-	-	-	-	21,516
Food services	-	-	-	-	175,601	175,601
Debt service	-	-	176,144	-	-	176,144
Capital projects	-	328,733	-	191,664	-	520,397
Assigned for subsequent year expenditures	317,614	-	-	-	-	317,614
Unassigned	614,040	-	-	-	-	614,040
<b>Total fund balances</b>	<b>964,832</b>	<b>328,733</b>	<b>176,144</b>	<b>191,664</b>	<b>183,555</b>	<b>1,844,928</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,343,771</b>	<b>\$ 401,976</b>	<b>\$ 176,144</b>	<b>\$ 310,661</b>	<b>\$ 226,169</b>	<b>\$ 3,458,721</b>

See Notes to Financial Statements.

**Columbia School District**  
 Reconciliation of the Balance Sheet of  
 Governmental Funds to the Statement of Net Position  
 June 30, 2016

<b>Total Fund Balances - Governmental Funds</b>	\$	1,844,928
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.</p>		35,238,520
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.</p>		
Bonds payable	\$ (29,540,000)	
Unamortized bond premium	(817,888)	
Compensated absences	(155,000)	
Accrued interest	<u>(222,682)</u>	(30,735,570)
<p>The pension liability and related deferred inflows and outflows are not due and payable in the current period and therefore are not reported in the funds.</p>		
Net pension liability	(18,001,450)	
Deferred outflows related to pensions	3,074,769	
Deferred inflows related to pensions	<u>(551,194)</u>	<u>(15,477,875)</u>
<b>Total Net Position - Governmental Activities</b>	<b>\$</b>	<b><u>(9,129,997)</u></b>

**Columbia School District**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
Year Ended June 30, 2016

	<u>General Fund</u>	<u>Capital Project Fund #1</u>	<u>2014 Debt Service Fund</u>	<u>Nonmajor</u>		<u>Total Governmental Funds</u>
				<u>Capital Project Fund #2</u>	<u>Food Service Fund</u>	
<b>Revenues:</b>						
Local sources	\$ 4,904,966	\$ 13,363	\$ 1,950,173	\$ 1,828	\$ 187,036	\$ 7,057,366
State sources	7,436,625	-	-	-	18,631	7,455,256
Federal sources	358,420	-	-	-	354,348	712,768
Interdistrict and other	568,170	-	-	-	-	568,170
Total revenues	<u>13,268,181</u>	<u>13,363</u>	<u>1,950,173</u>	<u>1,828</u>	<u>560,015</u>	<u>15,793,560</u>
<b>Expenditures:</b>						
Instruction	8,418,490	-	-	-	-	8,418,490
Support services	4,928,477	-	-	-	-	4,928,477
Community services	208,510	-	-	-	-	208,510
Food service activities	-	-	-	-	514,602	514,602
Debt service	102,696	-	1,900,375	-	-	2,003,071
Capital outlay	52,978	14,261,861	-	807,339	-	15,122,178
Total expenditures	<u>13,711,151</u>	<u>14,261,861</u>	<u>1,900,375</u>	<u>807,339</u>	<u>514,602</u>	<u>31,195,328</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(442,970)</u>	<u>(14,248,498)</u>	<u>49,798</u>	<u>(805,511)</u>	<u>45,413</u>	<u>(15,401,768)</u>
<b>Other Financing Sources (Uses):</b>						
Transfers in	35,000	-	-	-	-	35,000
Transfers out	-	-	-	-	(35,000)	(35,000)
Total other financing sources (uses)	<u>35,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(35,000)</u>	<u>-</u>
<b>Net Changes in Fund Balance</b>	<u>(407,970)</u>	<u>(14,248,498)</u>	<u>49,798</u>	<u>(805,511)</u>	<u>10,413</u>	<u>(15,401,768)</u>
<b>Fund Balances - Beginning of Year</b>	<u>1,372,802</u>	<u>14,577,231</u>	<u>126,346</u>	<u>997,175</u>	<u>173,142</u>	<u>17,246,696</u>
<b>Fund Balances - End of Year</b>	<u>\$ 964,832</u>	<u>\$ 328,733</u>	<u>\$ 176,144</u>	<u>\$ 191,664</u>	<u>\$ 183,555</u>	<u>\$ 1,844,928</u>

See Notes to Financial Statements.

## Columbia School District

### Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2016

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ (15,401,768)</b>
 Amounts reported for governmental activities in the Statement of Activities are different because:	
 Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation.	
Depreciation expense	(715,370)
Capital expenditures	15,169,877
 Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the cost of the asset sold.	
	(24,531)
 Accrued interest is recorded in the Statement of Activities when incurred; it is not reported in governmental funds until paid.	
	4,267
 Compensated absences are recorded as expenditures when financial resources are used in the governmental funds while in the Statement of Activities the amounts are treated as accrued liabilities.	
	88,000
 Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities.	
Repayments to bond holders	640,000
Amortization of bond premiums	30,292
 Governmental funds report the required pension contributions for the fiscal year June 30, 2016 as an expenditure. The Statement of Activities reports the fully accrued pension expense based upon a September year-end to coincide with the State of Michigan's fiscal year.	
Changes in pension related liabilities and deferrals	(238,446)
 <b>Change in Net Position of Governmental Activities</b>	 <b>\$ (447,679)</b>

See Notes to Financial Statements.

**Columbia School District**  
Statement of Fiduciary Net Position  
Fiduciary Funds  
June 30, 2016

	<b>Private Purpose Trust Fund</b>	<b>Agency Fund</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ 38,546	\$ 170,181
<b>Liabilities:</b>		
Due to student groups	-	\$ 170,181
<b>Net Position:</b>		
Held in trust for benefit of others	\$ 38,546	

See Notes to Financial Statements.

**Columbia School District**  
Statement of Change in Fiduciary Net Position  
Fiduciary Funds  
Year Ended June 30, 2016

	<b>Private Purpose Trust Fund</b>
<b>Additions:</b>	
Interest	\$ 140
Total additions	140
<b>Change in Net Position</b>	140
<b>Net Position - Beginning of Year</b>	38,406
<b>Net Position - End of Year</b>	\$ 38,546

See Notes to Financial Statements.

**Columbia School District**  
Notes to Financial Statements

**Note 1 – Summary of Significant Accounting Policies**

The basic financial statements of Columbia School District (the “School District” or “District”) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the School District.

**Reporting Entity**

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District’s reporting entity, and which organizations are legally separate, component units of the School District. Based on the application of the criteria, the District does not contain any component units.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**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 primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District’s government-wide activities are considered governmental activities.

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. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

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 governmental funds are reported as separate columns in the fund financial statements.

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

It is the District’s policy to allocate resource outlays first to restricted net position with the remainder allocated to unrestricted net position.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

**Columbia School District**  
Notes to Financial Statements

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

**District-Wide and Fund Financial Statements (Continued)**

**Fund-Based Statements** – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected 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. 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, severance pay, claims, and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Expenditure reimbursing grants are recognized when the qualifying expenditures have been incurred, eligibility requirements have been met, and receipt of monies is expected within the current availability period (60 days post year-end). All other revenue items are considered to be available only when cash is received by the government.

The fiduciary fund statements are also reported using the economic resources measurement focus and the accrual basis of accounting.

The School District reports the following major governmental funds:

**General Fund** – The General Fund is the School District’s primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

**Capital Project Funds** – Capital Project Funds are used to record bond proceeds or other revenue and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment, and capital improvements. The District maintains two capital project funds, one which is a major fund and one which is a nonmajor fund. The 2014 Capital Project Funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the School District has complied with the applicable provisions of §1351a of the Revised School Code.

Beginning with the year of bond issuance, the District has reported the annual construction activity in the 2014 Capital Project Funds. The projects for which the 2014 School Building and Site Bonds were issued were considered substantially complete on November 1, 2015 and the cumulative expenditures recognized for the construction periods were \$26,418,616 and \$3,884.178, respectively.

**Debt Funds** – Debt Funds are used to record tax, interest, and other revenue for payment of principal and other expenditures and the disbursements thereof on a particular bond issue. The District maintains the 2014 Debt Service Fund.

Additionally, the government reports the following fund types:

**Special Revenue Funds** – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The special revenue fund maintained by the District is the Food Service Fund.

**Columbia School District**  
Notes to Financial Statements

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Revenues, Assets, Liabilities, and Net Position or Equity**

**Fiduciary Funds** – Fiduciary Funds are used to account for assets held by the District in a trustee capacity (trust funds) or as an agent (agency funds). Fiduciary Fund net position and results of operations are not included in the district-wide statements.

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurements of results of operations. The District presently maintains a Student Activities Fund to record the transactions of student and parent groups for school-related purposes. The funds are segregated and held for the students and parents.

The District also maintains a Trust Fund, the Disbrow Scholarship Fund which is a private purpose trust fund maintained to record the segregated monies restricted for scholarships and the related transactions for distributions of awards.

**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, 2016, the foundation allowance was based on pupil membership counts taken in February 2015 and September 2015.

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 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 District are collected by various municipalities and periodically remitted to the 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 become 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. For the year ended June 30, 2016, the District levied the following amounts per \$1,000 of assessed valuation:

General Fund – Non-principal residence	18.000 mills
General Fund – Commercial personal property	6.000 mills
Debt Funds – all taxable values	3.220 mills

**Cash and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and certificates of deposit.

**Columbia School District**  
Notes to Financial Statements

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Revenues, Assets, Liabilities, and Net Position or Equity (Continued)**

**Cash and Investments (Continued)** - The District reports its investments in accordance with GASB professional standards. Under these standards, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity. Accordingly, investments in bankers' acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds, and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

**Receivables and Payables** – In general, outstanding balances between funds are reported as “due to/from other funds.” Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds.” Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. The District has determined the uncollectible amounts are immaterial and no provision has been recorded.

**Inventories and Prepaid Items** – Inventories are valued at cost on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

**Capital Assets** - Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of \$5,000 or greater and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure type assets.

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

Buildings and improvements	20 - 50 years
Buses and other vehicles	10 years
Furniture and equipment	7 -10 years

**Compensated Absences** - The liability for compensated absences reported in the district-wide statements consists of unpaid, accumulated annual and sick leave balances. 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.

**Columbia School District**  
Notes to Financial Statements

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Revenues, Assets, Liabilities, and Net Position or Equity (Continued)**

**Long-Term Obligations** – In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are reported as a deferred inflow or outflow, separate from liabilities, and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Debt issued, as well as premiums received on debt issuances are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Deferred Outflows/Inflows 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 represents a consumption of net position or fund balance that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District currently reports deferred outflows of resources related to deferred pension plan expenses. Deferred pension plan expenses are recognized in the plan years to which it applies. The District also currently reports deferred outflows of resources from pension payments made subsequent to the measurement date to be recognized as the corresponding time lags are met.

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 represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District currently reports deferred inflows of resources related to its pension plan. These future resources will be amortized and recognized over a time period established by the actuary and relate to differences between actuarial estimates and actual results.

**Defined Benefit Pension Plan** – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Michigan Public Employees' Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 11 for detailed information.

**Fund Balance** – The District has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. In accordance with this guidance, fund balances of governmental funds are categorized according to five defined categories of fund balance. These categories consist of *nonspendable* amounts which are not in spendable form or are legally or contractually required to be maintained intact; *restricted* amounts that are constrained for specific purposes set by external parties or law; *committed* amounts that are constraints set by the highest decision making authority (the School Board) through adoption of a resolution and may only be removed by the School Board through a rescindment resolution; *assigned* amounts that have an intended purpose but require no formal specific action; and *unassigned* amounts which are the residual of the other categories and have no specific purpose.

It is the District's policy to generally use fund balance in order according to the hierarchy of fund balance categories, from restricted down to unassigned.

**Columbia School District**  
Notes to Financial Statements

**Note 1 – Summary of Significant Accounting Policies (Continued)**

**Revenues, Assets, Liabilities, and Net Position or Equity (Continued)**

**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**

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.

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.

**Note 3 – Cash and Investments**

At year-end, the School District’s deposits and investments were reported in the basic financial statements in the following categories:

	<b>Governmental Activities</b>	<b>Fiduciary Funds</b>	<b>Total Primary Government</b>
Cash and investments	\$ 1,929,962	\$ 208,727	\$ 2,138,689

**Columbia School District**  
Notes to Financial Statements

**Note 3 – Cash and Investments (Continued)**

The breakdown between cash and investments for the School District is as follows:

	<u>Amount</u>	<u>Rating</u>
Deposits (checking and savings accounts, CDs)	\$ 858,536	N/A
Investments in municipal bonds	38,546	AA
Investments in Federated Government Obligations Fund	673,441	AAAm
Investments in bank school cash investment fund	568,166	N/A
Total	<u>\$ 2,138,689</u>	

There are no limitations or restrictions on participant withdrawals for investment pools that are recorded at amortized cost, except for a one-day minimum investment period on bank school cash investment funds.

**Investment and Deposit Risk** - The District's cash and investments are subject to several types of risk, as identified below.

**Custodial Credit Risk – Deposits** – Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned. The School has not adopted and State law does not require a policy for deposit custodial credit risk. As of year-end, \$488,786 of the School's bank balance of \$1,022,957 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**Custodial Credit Risk – Investments** – Custodial credit risk of investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have an investment policy for custodial credit risk. The ratings for each investment are identified above for applicable investments held at year-end.

**Interest Rate Risk** – Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. State law limits the allowable investments and the maturities of some of the allowable investments. The School'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 investment in the bank school cash investment fund had an average maturity of less than one year.

**Credit Risk** – State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools. See Note 1 for a full description of allowed investments. The District's investment policy does not further limit its investment choices.

**Concentration of Credit Risk** – The District's investment policy does not limit investments with individual issuers.

**Foreign Credit Risk** – The District does not invest in foreign currency and does not maintain a policy regarding foreign currency risk.

**Columbia School District**  
Notes to Financial Statements

**Note 4 – Receivables**

Receivables at June 30, 2016, consist of the following:

Other governmental units (primarily Michigan Department of Education)	\$ 1,474,143
	\$ 1,474,143

**Note 5 – Capital Assets**

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

	Beginning Balance	Additions	Disposals and Adjustments	Year-End Balance
Assets not being depreciated:				
Land	\$ 23,700	\$ -	\$ -	\$ 23,700
Construction in progress	15,233,594	-	(15,233,594)	-
Total net assets not being depreciated	15,257,294	-	(15,233,594)	23,700
Capital assets beings depreciated:				
Buildings and improvements	12,823,319	30,319,064	-	43,142,383
Buses and other vehicles	787,123	35,346	(27,257)	795,212
Furniture and equipment	882,120	49,061	-	931,181
Subtotal	14,492,562	30,403,471	(27,257)	44,868,776
Accumulated depreciation:				
Buildings and improvements	7,540,926	640,274	-	8,181,200
Buses and other vehicles	745,235	33,971	(2,726)	776,480
Furniture and equipment	655,151	41,125	-	696,276
Subtotal	8,941,312	715,370	(2,726)	9,653,956
Net capital assets being depreciated	5,551,250	29,688,101	(24,531)	35,214,820
Net capital assets	\$ 20,808,544	\$ 29,688,101	\$ (15,258,125)	\$ 35,238,520

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

Governmental Activities:

Instruction	\$ 575,138
Support services	33,971
Unallocated	106,261
	\$ 715,370

**Note 6 – Interfund Activity**

At fiscal year-end, the Food Service Fund owed the General Fund \$35,000 for a transfer to reimburse the General Fund for indirect cost expenditures.

**Columbia School District**  
Notes to Financial Statements

**Note 7 – Long-Term Debt**

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

Long-term obligation activity can be summarized as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
General obligation bonds	\$ 30,180,000	\$ -	\$ 640,000	\$ 29,540,000	\$ 665,000
Compensated absences	243,000	-	88,000	155,000	15,000
Total governmental activities	<u>\$ 30,423,000</u>	<u>\$ -</u>	<u>\$ 728,000</u>	<u>\$ 29,695,000</u>	<u>\$ 680,000</u>

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

	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 665,000	1,336,093	\$ 2,001,093
2018	690,000	1,309,493	1,999,493
2019	720,000	1,281,808	2,001,808
2020	750,000	1,252,828	2,002,828
2021	780,000	1,216,088	1,996,088
2022-2026	3,945,000	5,541,550	9,486,550
2027-2031	4,955,000	4,521,750	9,476,750
2032-2036	6,050,000	3,412,562	9,462,562
2037-2041	7,530,000	1,844,450	9,374,450
2042-2043	3,455,000	234,452	3,689,452
Total	<u>\$ 29,540,000</u>	<u>\$ 21,951,074</u>	<u>\$ 51,491,074</u>

General obligation bonds and loans consist of:

\$1,110,000 serial bonds due in annual installments of \$85,000 to \$95,000 through May 1, 2021; interest at 4.0% to 4.25%	\$ 450,000
\$29,875,000 serial bonds, due in annual installment of \$580,000 to \$1,755,000 through May 1, 2043; interest at 4.0% to 5.0%	<u>29,090,000</u>
Total bonded debt	<u>\$ 29,540,000</u>

**Columbia School District**  
Notes to Financial Statements

**Note 8 – Leases**

The District leases its buses, and expenditures for the leases totaled \$242,075 included as pupil transportation in support services. These leases were renewed for fiscal years 16/17 and 17/18 with similar terms including lease costs for twenty buses of \$11,898 per bus annually, and one additional bus at \$12,648 annually. The District is responsible for insurance, maintenance, and operation costs. Mileage allowance is set at 15,000 miles per year for each bus with additional charges of \$.25 per mile over the allowance. Future minimum lease payments for the fiscal years ended June 30, 2017 and 2018 are approximately \$251,000.

**Note 9 – Federal and State Grants**

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

**Note 10 – Risk Management**

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

**Note 11 – Defined Benefit Pension Plan and Post-Employment Benefits**

**Organization**

**Plan Description** – The School District participates in the Michigan Public School Employees' Retirement System ("MPERS" or "the System"), a State-wide, cost-sharing, multiple-employer defined benefit public employee retirement plan governed by the State of Michigan. The System's pension plan was established by the State to provide retirement, survivor, and disability benefits to public school employees and their beneficiaries, and covers substantially all employees of the School District. In addition, the System's health plan provides postemployment healthcare benefits to all retirees and beneficiaries as an elective option including health, dental, and vision coverage. There are currently approximately 700 participating employers in the System which meets the definition of a qualified pension trust fund under Section 401(a) of the Internal Revenue Code.

The System was originally created under Public Act 136 of 1945, recodified, and currently operates under the provisions of Public Act 300 of 1980, as amended. Section 25 of this Act establishes a governing board and its authority to promulgate or amend the provisions of the System. The board consists of twelve members – eleven appointed by the Governor plus the State Superintendent of Instruction, who serves as an ex-officio member.

The System is administered by the Office of Retirement Services 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 included as a pension and other employee benefit trust fund in the State of Michigan Comprehensive Annual Financial Report and are available at [www.michigan.gov/mpsers-cafr](http://www.michigan.gov/mpsers-cafr). Information provided in this report includes financial data, actuarial assumptions data, and detailed information about the pension plan's fiduciary net position.

**Columbia School District**  
Notes to Financial Statements

**Note 11 – Defined Benefit Pension Plan and Post-Employment Benefits (Continued)**

**Organization (Continued)**

**Benefits Provided** - Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits for DB plan members are determined by final average compensation, years of service, and a pension factor ranging from 1.25% to 1.50%. 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.

**Contributions** – Public Act 300 of 1980, as amended, requires contributions from both the participating employers and the plan members. The School District, as a participating employer, is required to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees (plan members) during the year, with an additional amount paid in to finance a portion of the unfunded accrued liability.

The System is set up with seven different benefit options which are available to plan members (employees) based on date of hire. Depending on the plan selected, plan member contributions range from 0% up to 7% of gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

The School District's contributions are determined based on employee elections. Contribution rates are adjusted annually by ORS. For the reported year, the rates ranged from 18.76% to 23.07% for the period of July 1, 2015 through September 30, 2015 and 14.56% to 18.95% for the period of October 1, 2015 through June 30, 2016.

The District's required and actual contributions to the plan for the year ended June 30, 2016 were \$1,773,903. The District's required and actual contributions include an allocation of \$491,528 in revenue received from the State of Michigan, and remitted to the System, to fund the MPSERS unfunded actuarial liability (UAAL) stabilization rate for the year ended June 30, 2016.

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

**Proportionate Share of School District's Net Pension Liability** - At June 30, 2016, the District reported a liability of \$18,001,450 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2014. The District's proportionate share 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 statutorily required pension contributions from all applicable employers during the measurement period. At September 30, 2015, the District's proportionate share percent was .07370084 percent, a decrease of .00463084 percent from its proportion measured as of September 30, 2014.

**Pension Expense** - For the year ended June 30, 2016, the School District recognized pension expense of \$1,762,756, exclusive of payments to fund the MPSERS UAAL stabilization rate.

**Columbia School District**  
Notes to Financial Statements

**Note 11 – Defined Benefit Pension Plan and Post-Employment Benefits (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

**Deferred Outflows and Deferred Inflows** - At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b><u>Deferred Outflows of Resources</u></b>	<b><u>Deferred Inflows of Resources</u></b>
Difference between expected and actual experience	\$ -	\$ 59,626
Changes of assumptions	443,234	-
Net difference between projected and actual earnings on pension plan investments	91,883	-
Changes in proportion and differences between reporting unit contributions and proportionate share of contributions	896,479	40
Reporting unit contributions subsequent to the measurement date	1,643,173	491,528
Total	<u>\$ 3,074,769</u>	<u>\$ 551,194</u>

\$1,643,173 reported as deferred outflows of resources related to pensions resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. The remaining other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized in pension expense as follows:

<b><u>Year Ended June 30</u></b>	<b><u>Amount</u></b>
2017	\$291,761
2018	291,761
2019	267,730
2020	520,678

**Payables to the Pension Plan** - The District reported an accrued pension plan payable at June 30, 2016 of \$190,138. This amount represents employee withholdings and the employer amount payable for wages earned at June 30, 2016 but not yet paid.

**Columbia School District**  
Notes to Financial Statements

**Note 11 – Defined Benefit Pension Plan and Post-Employment Benefits (Continued)**

**Actuarial Assumptions**

**Actuarial Valuations and Assumptions** - Actuarial valuations for the pension plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions (ARC) are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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.

A summary of actuarial assumptions as of the latest actuarial valuation follows:

Valuation date	September 30, 2014
Actuarial cost method	Entry age, normal
Wage inflation rate	3.5%
Investment rate of return:	
MIP and Basic plans (non-hybrid)	8.0%
Pension Plus Plan (hybrid)	7.0%
Projected salary increases	3.5 – 12.3%, including wage inflation at 3.5%
Cost of living pension adjustments	3.0% annual non-compounded for MIP members
Mortality	RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Notes:

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

**Long-Term Expected Rate of Return on Plan Assets** – The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**Columbia School District**  
Notes to Financial Statements

**Note 11 – Defined Benefit Pension Plan and Post-Employment Benefits (Continued)**

**Actuarial Assumptions (Continued)**

**Long-Term Expected Rate of Return on Plan Assets (Continued)** – Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of September 30, 2015, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Domestic equity pools	28.0%	5.9%
Alternative investment pools	18.0%	9.2%
International equity	16.0%	7.2%
Fixed income pools	10.5%	0.9%
Real estate and infrastructure pools	10.0%	4.3%
Absolute return pools	15.5%	6.0%
Short-term investment pools	<u>2.0%</u>	0.0%
Total	<u>100.0%</u>	

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

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

**Sensitivity 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 8.0% (7.0% for the Pension Plus Plan), as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher:

<u>Current Single Discount Rate</u>		
<u>1% Decrease (Non-Hybrid/Hybrid)* 7.0%/6.0%</u>	<u>Assumption (Non-Hybrid/Hybrid)* 8.0%/7.0%</u>	<u>1% Increase (Non-Hybrid/Hybrid)* 9.0%/8.0%</u>
<u>\$23,208,484</u>	<u>\$18,001,450</u>	<u>\$13,611,707</u>

\*The Basic Plan and the Member Investment Plan (MIP) are non-hybrid plans. Pension Plus is a hybrid plan, with a defined benefit (pension) component and a defined contribution (DC) component.

**Columbia School District**  
Notes to Financial Statements

**Note 11 – Defined Benefit Pension Plan and Post-Employment Benefits (Continued)**

**Post-Employment Benefits Other than Pensions (OPEB)**

Under the MPSERS act, all participating retirees have the option of continuing health, dental, and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the various coverages at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rates to fund the benefits on a pay-as-you-go basis. The employer contribution rate on covered payroll for the period of July 1, 2015 through September 30, 2015 was 2.20% to 2.71% and for the period of October 1, 2015 through June 30, 2016 was 6.04% to 6.83%, dependent upon the employee's date of hire and plan election.

Members can choose to contribute 3.0% of their covered payroll to the Retiree Healthcare Fund and keep this premium subsidy benefit or they can elect not to pay the 3.0% contribution and instead choose the Personal Healthcare Fund, which can be used to pay healthcare expenses in retirement. Members electing the Personal Healthcare Fund will be automatically enrolled in a plan with 2.0% employee contributions into their 457 account as of their transition date and with a 2.0% employer match into the employee's 401(k) account.

The District's required and actual contributions to the plan for retiree healthcare benefits for the years ended June 30, 2016 and 2015 were approximately \$600,055 and \$207,719, respectively. In addition, a portion ranging from 35 -100 percent of the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate is considered a contribution to the retiree healthcare plan.

**Note 12 – Upcoming Accounting and Reporting Changes**

The Government Accounting Standards Board has issued Statement No. 77, *Tax Abatement Disclosures*. Statement No. 77 requires new government disclosures about tax abatement agreements with entities and individuals including the purpose of the program, the tax being abated, the dollar amount and provisions for recapturing abated taxes as well as the types of commitments made by tax abatement recipients. It also requires disclosures about other commitments made by a government in tax abatement agreements, such as to build infrastructure assets. The new standard also requires disclosures about tax abatements that are entered into by other governments that reduce the reporting government's tax revenues. Statement No. 77 is effective for the year ended June 30, 2017 with earlier application encouraged.

Another upcoming reporting change comes from GASB's issuance of Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 sets standards for governments that provide postemployment benefits other than pensions (OPEB). Similar to the GASB standards set for pension benefits, the Statement requires the District, as a cost-sharing employer participating in MPSERS, to recognize and report its proportionate share of the MPSERS' net OPEB liability as well as the related deferred inflows and outflows of resources, and expenses/expenditures. The Statement also addresses standards for OPEB note disclosures and required supplementary information. Statement No. 75 will be effective for the District's fiscal year ending June 30, 2018.

## **Required Supplemental Information**

**Columbia School District**  
 Budgetary Comparison Schedule - General Fund  
 Year Ended June 30, 2016

	<b>Budgeted Amounts</b>		<b>Actual</b>
	<b>Original</b>	<b>Final</b>	
<b>Revenues:</b>			
Local sources	\$ 4,826,350	\$ 4,934,800	\$ 4,904,966
State sources	6,024,255	7,264,337	7,436,625
Federal sources	353,031	408,084	358,420
Interdistrict and other	519,000	809,292	568,170
Total revenues	11,722,636	13,416,513	13,268,181
<b>Expenditures:</b>			
Instruction:			
Basic programs	6,734,675	6,843,901	6,855,981
Added needs	1,102,925	1,574,713	1,562,509
Support services:			
Pupil	246,023	282,295	284,227
Instructional staff	352,323	324,367	280,512
General administration	407,443	446,302	452,469
School administration	640,907	782,981	768,810
Business	210,405	302,250	282,253
Operation & maintenance	1,199,349	1,589,714	1,534,465
Pupil transportation	915,210	953,345	911,999
Central services	22,629	34,224	29,842
Athletic activities	386,893	384,810	377,040
Oher support	-	7,300	6,860
Community services:			
Family and parent activities	-	3,500	-
Community recreation	92,849	97,800	92,906
Community activities	2,612	8,665	5,880
Care of children	104,818	108,729	109,724
Debt service	102,893	121,703	102,696
Capital outlay	15,000	53,000	52,978
Total expenditures	12,536,954	13,919,599	13,711,151
<b>Revenues Over (Under) Expenditures</b>	<b>(814,318)</b>	<b>(503,086)</b>	<b>(442,970)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	35,000	35,000
Total other financing sources (uses)	-	35,000	35,000
<b>Net Changes in Fund Balances</b>	<b>(814,318)</b>	<b>(468,086)</b>	<b>(407,970)</b>
<b>Fund Balances - Beginning of Year</b>	<b>1,372,802</b>	<b>1,372,802</b>	<b>1,372,802</b>
<b>Fund Balances - End of Year</b>	<b>\$ 558,484</b>	<b>\$ 904,716</b>	<b>\$ 964,832</b>

See Independent Auditors' Report.

**Columbia School District**

Schedule of the District's Proportionate Share of the Net Pension Liability of the MPSERS Plan  
Last Two Fiscal Years (Amounts Determined Each Year as of September 30)

	<u>2015</u>	<u>2014</u>
District's proportion of net pension liability (%)	<u>0.07370084%</u>	<u>.06907000%</u>
District's proportionate share of net pension liability	<u>\$ 18,001,450</u>	<u>\$ 15,213,653</u>
District's covered-employee payroll	<u>\$ 6,282,114</u>	<u>\$ 5,949,287</u>
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	<u>286.55%</u>	<u>255.72%</u>
Plan fiduciary net position as a percentage of total pension liability	<u>63.17%</u>	<u>66.20%</u>

**Columbia School District**  
 Schedule of the District's Contributions to the MPSERS Plan  
 Last Two Fiscal Years (Amounts Determined Each Year as of June 30)

	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 1,773,903	\$ 1,354,250
Contributions in relation to statutorily required contributions	<u>1,773,903</u>	<u>1,354,250</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	<u>\$ 6,501,000</u>	<u>\$ 6,238,072</u>
Contributions as a percentage of covered-employee payroll	<u>27.29%</u>	<u>21.71%</u>

**Columbia School District**  
Notes to Required Supplementary Information Pension Schedules  
Year Ended June 30, 2016

**Changes of Benefit Terms:**            There were no changes of benefit terms in 2015.

**Changes of Assumptions:**            There were no changes of benefit assumptions in 2015.

## **Other Supplemental Information**

**Columbia School District**  
Schedule of Bonded Indebtedness  
June 30, 2016

	<b>Date of Issue</b>	<b>Amount of Issue</b>	<b>Interest Rate</b>	<b>Date of Maturity</b>	<b>Fiscal Year Interest Requirements</b>	<b>Fiscal Year Principal Requirements</b>	<b>Bonds Outstanding June 30, 2016</b>
2005 Energy Bonds	August 1, 2005	\$ 1,110,000	4.000%	5/1/2017	\$ 18,693	\$ 85,000	\$ 85,000
			4.100%	5/1/2018	15,293	85,000	85,000
			4.200%	5/1/2019	11,808	90,000	90,000
			4.200%	5/1/2020	8,028	95,000	95,000
			4.250%	5/1/2021	4,038	95,000	95,000
							\$ 450,000

**Columbia School District**  
Schedule of Bonded Indebtedness  
June 30, 2016

	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Fiscal Year Interest Requirements</u>	<u>Fiscal Year Principal Requirements</u>	<u>Bonds Outstanding June 30, 2016</u>
2014 Building & Site Bonds	March 13, 2014	\$ 29,875,000	4.000%	5/1/2017	\$ 1,317,400	\$ 580,000	\$ 580,000
			4.000%	5/1/2018	1,294,200	605,000	605,000
			4.000%	5/1/2019	1,270,000	630,000	630,000
			5.000%	5/1/2020	1,244,800	655,000	655,000
			5.000%	5/1/2021	1,212,050	685,000	685,000
			4.000%	5/1/2022	1,177,800	720,000	720,000
			5.000%	5/1/2023	1,149,000	750,000	750,000
			5.000%	5/1/2024	1,111,500	785,000	785,000
			5.000%	5/1/2025	1,072,250	825,000	825,000
			5.000%	5/1/2026	1,031,000	865,000	865,000
			5.000%	5/1/2027	987,750	910,000	910,000
			4.000%	5/1/2028	942,250	955,000	955,000
			4.000%	5/1/2029	904,050	990,000	990,000
			4.000%	5/1/2030	864,450	1,030,000	1,030,000
			4.000%	5/1/2031	823,250	1,070,000	1,070,000
			4.125%	5/1/2032	780,450	1,115,000	1,115,000
			4.125%	5/1/2033	734,456	1,160,000	1,160,000
			4.125%	5/1/2034	686,606	1,205,000	1,205,000
			5.000%	5/1/2035	636,900	1,255,000	1,255,000
			5.000%	5/1/2036	574,150	1,315,000	1,315,000
			5.000%	5/1/2037	508,400	1,375,000	1,375,000
			5.000%	5/1/2038	439,650	1,440,000	1,440,000
			4.500%	5/1/2039	367,650	1,510,000	1,510,000
			4.500%	5/1/2040	299,700	1,570,000	1,570,000
			4.500%	5/1/2041	229,050	1,635,000	1,635,000
			4.500%	5/1/2042	155,476	1,700,000	1,700,000
			4.500%	5/1/2043	78,976	1,755,000	1,755,000
							\$ 29,090,000



**WILLIS & JURASEK**

CPAS AND CONSULTANTS

**Independent Auditors' 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**

Board of Education  
Columbia School District  
Brooklyn, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Columbia School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 15, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Columbia School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Columbia School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Board of Education  
Columbia School District

**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.

*Willis & Jurasek, P.C.*

Willis & Jurasek, P.C.

September 15, 2016



**WILLIS & JURASEK**

CPAS AND CONSULTANTS

September 15, 2016

To the Board of Education  
Columbia School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Columbia School District for the year ended June 30, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *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 March 17, 2016. 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 Columbia School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2016. We noted no transactions entered into by the 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 District's financial statements were:

Management's estimate of fixed asset balances was established, in part, based upon an appraisal performed in a prior year. The corresponding depreciation for all fixed assets is based on estimated lives and use of those respective assets. We evaluated the key factors and assumptions used to develop the depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management has also estimated the liability for employee compensated absences. We have evaluated the key factors and assumptions used to develop the liability for compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statements contain estimates for net pension liability and related deferred inflows and deferred outflows of resources. This information has been provided by ORS to all school districts participating in the MPSERS pension system.

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 trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' 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 as per the auditors' report.

### *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 District's financial statements or a determination of the type of auditors' 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 District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to the Budgetary Comparison Schedule, the Schedule of the District's Proportionate Share of the Net Pension Liability of the MPSERS Plan, the Schedule of the District's Contributions to the MPSERS Plan, and related notes, which are required supplementary information (RSI) that supplement 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 Schedules of Bonded Indebtedness, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

### Recommendations

Federal guidelines, as reported to you by the MDE, require that policies and procedures over the accounting department as well as controls over compliance for federal funds should be in a written format, and updated in accordance with the Uniform Guidance. As a reminder, we recommend that the District update these policies as soon as possible to meet these federal requirements.

### Restriction on Use

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

Very truly yours,

*Willis & Jurasek, P.C.*

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