

**CROSWELL-LEXINGTON
COMMUNITY SCHOOLS**
Croswell, Michigan

*Report on Financial Statements
(with required supplementary and
additional supplementary information)
Year Ended June 30, 2020*

CROSWELL-LEXINGTON COMMUNITY SCHOOLS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Croswell-Lexington Community Schools
Croswell, Michigan 48422

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 Croswell-Lexington Community Schools, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Croswell-Lexington Community Schools as of June 30, 2020 and the respective changes in financial position, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter – Change in Accounting Principle

As discussed in Note 13 to the financial statements, Croswell-Lexington Community Schools implemented Governmental Accounting Standards Statement No. 84, Fiduciary Activities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Croswell-Lexington Community Schools' basic financial statements. The additional supplementary information listed in the table of contents, including the schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The additional supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2020, on our consideration of Croswell-Lexington Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreement and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Croswell-Lexington Community School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards in considering Croswell-Lexington Community Schools' internal control over financial reporting and compliance.

Anderson, Tuckey, Bernhardt & Doran, P.C.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CARO, MICHIGAN

October 20, 2020

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

This section of Croswell-Lexington Community Schools' annual financial report presents our discussion and analysis of the School District's financial performance for the fiscal year ended June 30, 2020. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

Financial Highlights

As of the fiscal year ended on June 30, 2020, the combined fund balance in governmental funds totaled over \$8.3 million and decreased about \$165,000 from a year ago. The fund balances in the General Fund and Non-Bond Capital Projects Fund decreased \$475,000 and \$157,000, respectively. Fund balance in the Combined Debt Service Fund and Other Non-Major Governmental Funds increased approximately \$55,000 and \$194,000, respectively. Governmental fund revenues totaled \$26,213,217 and expenditures totaled \$26,390,734.

Approximately 53% of total governmental fund revenues come from the State per student foundation allowance. The foundation allowance in 2019-2020 totaled \$8,111 per student. This is \$240 more than the foundation in 2018-2019 of \$7,871. The district's 2019-2020 blended enrollment decreased to 2,056 in 2019-2020, down from 2,136 in 2018-2019. Total revenues from State sources increased approximately \$1,734,000. Revenues from Federal sources increased approximately \$71,000. Property taxes for operations increased approximately \$66,000 to \$3.82 million, based on a levy of 18.0000 mills.

The millage rate for debt retirement decreased from 3.3000 to 2.4000 mills. Property tax collections for debt retirement decreased by \$482,000 to approximately \$1,335,000. Principal and interest payments on debt decreased \$185,000 from \$2,082,000 in 2019-2018 to \$1,897,000 in 2019-2020.

The millage rate for sinking fund increased from 0 mills in 2018-2019 to 0.9000 mills in 2019-2020. Property tax collections for the sinking fund increased from 0 to approximately \$494,000, respectively.

Net other financing sources decreased approximately \$968,000 for the year ended June 30, 2020. In the current fiscal year, financing sources included no proceeds from capital leases or proceeds from installment contracts.

Overview of Annual Financial Report

This annual report consists of a series of financial statements and notes to the statements presented in four sections as follows:

Management's Discussion and Analysis (MD&A)

Basic Financial Statements

District-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplementary Information

Budgetary Comparison Schedule – General Fund

Additional Supplementary Information

Combining Statements for Nonmajor Governmental Fund Types

Fiduciary Fund Statement

Other Schedules

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

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 Fund Financial Statements provide the next level of detail. 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 look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds – the General Fund, Non-Bond Capital Projects Fund, Capital Projects Sinking Fund, and Combined Debt Service Fund, with all the other funds presented in one column as Other Nonmajor Governmental Funds. The remaining statements include Combining Statements of Nonmajor Governmental Fund Types and the Fiduciary Fund Statement, which presents financial information about activities for which the School District acts solely as an agent or trustee for the benefit of students and parents.

Financial Analysis of the District as a Whole

The District's *net position* – the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, as reported in the Statement of Net position, is one way to measure the School District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position, as reported in the Statement of Activities, is one indicator of whether its *financial health* is improving or deteriorating. The relationship between revenues and expenditures indicates the School District's *operating results*. However, the School District's goal is to provide services to its students, not to generate profits as commercial entities do. Many other non-financial factors, such as the quality of the education provided and the safety of the school must also be considered when assessing the *overall health* of the School District.

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

The School District's net position totaled (\$22,324,109) and (\$22,263,697) at June 30, 2020 and 2019, respectively. Of these amounts, \$2,665,527 and \$2,609,055 were restricted. Restricted net position is reported separately to show legal constraints from debt covenants and legislation that limits the School District's ability to use this net position for day-to-day operations.

The following is a summary of the District's net position at June 30, 2020 and 2019:

	<u>2019</u>	<u>2020</u>
Assets		
Current assets	\$ 13,892,357	\$ 12,159,264
Capital assets, net of depreciation	<u>21,537,826</u>	<u>21,537,916</u>
 Total assets	 <u>35,430,183</u>	 <u>33,697,180</u>
 Deferred Outflows of Resources		
Deferred outflows	<u>11,919,621</u>	<u>12,167,437</u>
 Liabilities		
Current liabilities	5,606,964	3,874,721
Non-current liabilities	<u>57,837,243</u>	<u>58,228,528</u>
 Total liabilities	 <u>63,444,207</u>	 <u>62,103,249</u>
 Deferred Inflows of Resources		
Deferred inflows	<u>6,169,294</u>	<u>6,085,477</u>
 Net Position		
Net investment in capital assets	4,778,898	6,266,873
Restricted	2,609,055	2,665,527
Unrestricted	<u>(29,651,650)</u>	<u>(31,256,509)</u>
 Total net position	 \$ <u>(22,263,697)</u>	 \$ <u>(22,324,109)</u>

*June 30, 2019 figures are not updated to reflect the restatement for GASB 84.

Total net position decreased approximately \$224,074 in 2019-2020. Components of this change are as follows:

➤ Revenues and Expenditures

Total revenues increased approximately \$1,564,000 while total expenditures increased approximately \$1,683,000 for the year ended June 30, 2020. Revenues from local property taxes and other local sources increased approximately \$78,000 primarily because of a change in accounting practices which now require student activity revenue to be recognized in other non-major governmental funds. State sources increased \$1,734,000 while federal sources increased approximately \$71,000. Instructional and supporting services expenditures decreased \$473,000 and \$77,000, respectively. Community Services transactions increased \$9,000 from the prior year. Food service expenditures increased \$74,000 while expenditures for capital projects and debt service expenditures increased approximately \$129,000 and decreased \$96,000, respectively.

➤ Capital acquisitions

Capital acquisitions for the year totaled \$992,870. Combining current year depreciation with the effect of disposals, net capital assets increased \$90.

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

- Depreciation expense
 The provisions of GASB 34 require districts to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation is a reduction in net position. Depreciation expense is recorded using a straight-line method over the estimated useful lives, if any, of the assets. In accordance with generally accepted accounting principals, depreciation expense is recorded based on the original cost of the asset less an estimated salvage value, if any. For the year ended June 30, 2020, the net increase in accumulated depreciation was \$992,780.

- Debt repayment
 Repayment of debt decreases the District's long-term principal obligations and, as a result, the net position of the District increases. The District repaid \$1,501,887 of long-term debt, while adding \$0 in new debt for a net decrease of \$1,501,887 in the fiscal year ended June 30, 2020.

- Unpaid benefits
 Accumulating and carrying over employee benefits such as sick pay to future periods increases the District's liabilities and, as a result, decreases net position. Payment of these liabilities in a fiscal year reduces liabilities and increases net position. In the current fiscal year, the District increased accumulated unpaid benefits by \$18,059.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities. The District-wide results of operations for the years ended June 30, 2020 and 2019 are as follows:

*June 30, 2019 figures are not updated to reflect the restatement for GASB 84.

	<u>2019</u>	<u>2020</u>
General revenue		
Property taxes levied for general operations	\$ 3,631,626	\$ 3,821,769
State of Michigan aid, unrestricted	12,949,117	14,409,810
Property Taxes levied for debt service	1,816,450	1,334,600
Property Taxes levied for sinking fund	-	493,527
Other local	<u>597,856</u>	<u>499,715</u>
Total general revenue	18,995,049	20,559,421
Program revenue		
Charges for services – local	307,347	245,622
Operating grants – federal and state	<u>4,756,098</u>	<u>5,453,204</u>
Total revenues	24,058,494	26,258,247
Expenses		
Instruction	14,067,877	14,527,815
Support services	6,961,388	8,280,809
Community services	87,397	96,051
Food services	1,048,325	1,157,811
Capital outlay	105,447	435,727
Interest on long-term debt	912,032	757,370
Student/school activity	-	233,958
Depreciation	<u>981,747</u>	<u>992,780</u>
Total expenses	<u>24,164,213</u>	<u>26,482,321</u>
Change in net position	(105,719)	(224,074)
Net position – July 1 – Restated	<u>(22,157,978)</u>	<u>(22,100,035)</u>
Net position – June 30	<u>\$ (22,263,697)</u>	<u>\$ (22,324,109)</u>

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

General Fund Budgeting and Operating Highlights

The School District's budgets are prepared according to Michigan law and are initially adopted prior to July 1 of each year, before student enrollment counts are known. Therefore, it is expected that there will be changes between the initial budget and subsequent budgets, as actual enrollments, actual State Aid per pupil and staffing changes are known. Currently, the most significant budgeted fund is the General Fund. During the fiscal year ended June 30, 2020, the budget of this major governmental fund was amended twice. In the current fiscal year, COVID-19 provided a substantial uncertainty related to incoming revenues from the State level. The Consensus Revenue Estimating Conference provided conservative estimates of up to \$750 per pupil reductions to take place in 2019-2020 which were used for budgeting purposes but ultimately the Michigan Department of Education reduced per pupil funding by only \$175.

General Fund

In the General Fund, the actual revenue was \$22,555,254. This is above the original budget estimate of \$20,996,404 and above the final budgeted amount of \$21,456,505, a variance of 4.9%.

The actual expenditures of the general fund were \$22,886,644. This is above the original budget estimate of \$20,838,350 and below the final budgeted amount of \$22,994,322, a variance of 0.1%.

A schedule is provided in the required supplementary information section of this report showing the School District's original and final budget amounts compared with amounts actually paid and received.

Total General Fund revenues, other financing sources, and special items approximated \$22.59 million for the year ended June 30, 2020, and \$21.94 million for the year ended June 30, 2019. Total expenditures and other financing uses approximated \$23.07 million and \$22.00 million, respectively, for the years ended June 30, 2020 and 2019. The fund balance was \$2.91 million at June 30, 2020, and \$3.38 million at June 30, 2019.

Governmental Fund Expenditures

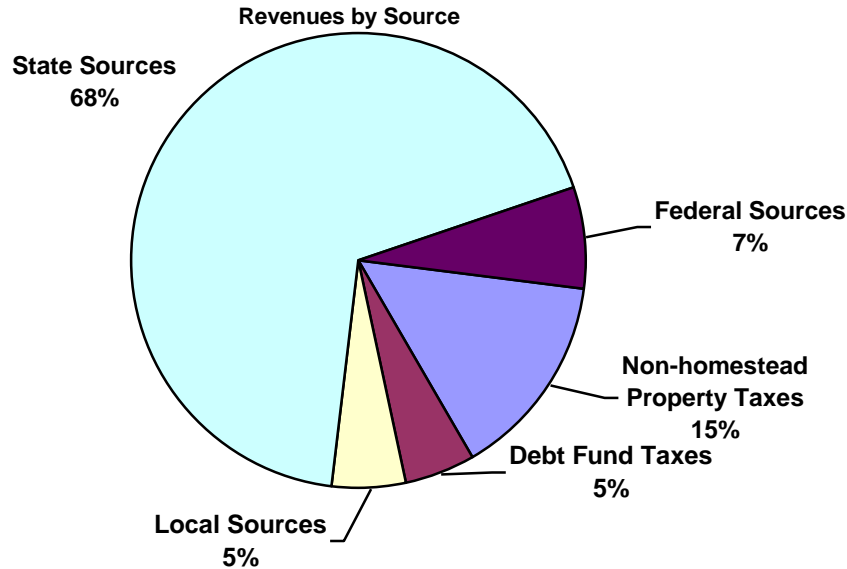
The following chart illustrates the General Fund comprised 87.80% of all the expenditures within the governmental funds of the School District. As of June 30, 2020 expenditures totaled \$26.40 million for all District programs. The ending fund balance for all funds was equal to approximately \$8.4 million.

	June 30, 2020 <u>(In millions)</u>	<u>% of Total</u>
General Fund	\$22.89	86.70%
Non-Bond Capital Projects Fund	0.16	0.61%
Debt Fund	1.72	6.51%
Sinking Fund	.28	1.06%
Other Non-major Funds	<u>1.35</u>	<u>5.12%</u>
Total	<u>\$26.40</u>	<u>100.00%</u>

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

Total Revenues

Revenues for all governmental funds approximated \$26.2 million. The following graph illustrates the District revenues by source as a percentage of total revenue:



Unrestricted State Aid

The district is predominately funded by the State per student foundation allowance, which increased in 2019-2020 from \$7,871 to \$8,111. Blended student enrollment decreased from 2,136 in 2018-2019 to 2,056 in 2019-2020.

Property Taxes

The District levied 18.0000 mills of property taxes on all Non-Homestead property located within the district for General Fund operations. The levy is assessed on the taxable value of the property. The increase in taxable value is limited to the lesser of the inflation rate of the prior year or 5%. When a property is sold, the taxable valuation of the sold property is readjusted to the State Equalized Value, which is approximately 50% of market value. The 2019-2020 Non-Homestead property tax levy totaled approximately \$3.8 million.

The District levies 2.4 mills of property taxes on all classes of property located within the district for bonded debt retirement. This levy is not subject to rollback provisions and is used to pay the principal and interest on bond obligations. The total amount levied for debt retirement in the current year was \$1.3 million.

The District levies 0.9 mills of property taxes on all classes of property located within the district for sinking fund projects. This levy is not subject to rollback provisions and is used to pay the principal and interest on bond obligations. The total amount levied for debt retirement in the current year was \$494,000.

Enrollment

The enrollment of Croswell-Lexington Community Schools totaled 2,056 students in 2019-2020 and 2,136 in 2018-2019. This resulted in a decrease of 80 full time equivalents.

Enrollment is important to the financial health of the School District as State funding is based on a per-pupil formula. For the fiscal year ended June 30, 2020, the per-student allowance was \$8,111 compared to \$7,871 for the year ended June 30, 2019.

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

Capital Asset and Debt Administration

Capital Assets

At June 30, 2020, the School District had \$36.5 million invested in land and buildings, furniture and equipment, vehicles and buses, and construction in progress. Of this amount, \$14.9 million has been depreciated. Net book value totals \$21.5 million. Total additions for the year were \$593,917. The district's buildings range in years of construction from 1939 to 2010 with a majority of the buildings constructed in the 1950's and 1960's. The district is committed to the timely repairs and maintenance of its facilities. Computer purchases are under the District's capitalization threshold of \$5,000 and are expensed accordingly.

**CAPITAL ASSETS AT YEAR END
 (NET OF DEPRECIATION)
 (IN MILLIONS)**

	<u>Governmental Activities</u>
Land and Improvements	\$ 2.7
Buildings and Additions	16.9
Technology & Computers	0.1
Furniture and Equipment	1.0
Vehicles & Buses	<u>0.8</u>
Total	<u>\$ 21.5</u>

Debt

Outstanding Debt at Year-End

At the end of fiscal year 2020, the School District's outstanding bond, capital leases, and installment contract obligations totaled approximately \$15.4 million compared to \$16.9 million at the end of the previous year. The outstanding principal amounts at June 30, 2020 are as follows:

Capital Leases	\$ 372,757
Installment Contracts	147,596
Refunding Bonds	10,854,384
2010 Building and Site Bonds	4,000,000

State statutes limit the amount of debt schools can issue. The School District's outstanding voted bond debt of \$14.9 million is below the statutorily imposed limits.

For more detailed information regarding capital assets and debt administration, please review the Notes to the Basic Financial Statements located in the financial section of this report.

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
MANAGEMENT DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

Economic Factors and Next Year's Budgets

The School District's revenue is heavily dependent on enrollment, State funding, and ultimately, the health of the State's School Aid Fund. Enrollment from the October 2020 count is expected to be 25 students lower than the estimated enrollment used for the 2019-2020 budget. Under the State's blending formula, the blended count for the 2020-2021 fiscal year is based on a super blend of 75% of the blended count for the 2019-2020 count plus 25% of the blended count for 2019-2020. The blended count in a normal year is a factor of 90% of the October 2020 count and 10% of the February 2021 count. For the 2020-2021 budget, enrollment was estimated to decrease 65 students and the foundation allowance was budgeted at \$8,111 per student. The budgeted blended count of 1,991 is now projected to increase to approximately 2,033 and the foundation allowance is currently expected to remain at \$8,111. Assuming \$8,111 per student and 2,033 students, District foundation revenue will be approximately \$341,000 more than the budgeted amount.

The revenues of the School District are also impacted significantly by the local levy of 18 mills on non-homestead, non-qualified agricultural properties, which the State assumes is levied locally when it calculates the State aid paid to the District. School District voters renewed this millage, plus an additional mill, in August of 2018 for a period of ten years. The School District expects to collect \$3.6 million in operating revenue from local property taxes in the 2020-2021 fiscal year.

The 2020-2021 General Fund budget as originally adopted includes an excess of expenditures over revenues of \$498,535 which will reduce the District's fund equity. When the District's General Fund budget is amended, the reduction in fund equity could become lessened to reflect a reduction in fund equity in the amount of approximately \$158,000 because of the change in the per pupil blend when compared to the budgeted enrollment. The Board of Education and Administration have already made reductions in expenditures for the 2020-2021 fiscal year in anticipation of a reduction to fund balance based on conservative budgeting. They will continue to review the budget for possible cost savings to reduce the use of fund equity while minimizing any adverse impact on student programs.

The School District has made cuts each year over the past fifteen years to reduce expenditures and preserve fund balance. This allows the District to avoid borrowing for cash flow and absorb reductions in revenues because of revenue shortfalls at the State level and decreased enrollment. It also leaves the General Fund and other governmental funds with fund balance to cover the excess expenditures reflected in the 2020-2021 fund budgets. With the uncertain revenues and increasing costs expected in future fiscal years, having available fund balance is very important. Further reductions in expenditures may be necessary to avoid draining the District's fund balance.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide an overview of the financial conditions of Croswell-Lexington Community Schools. If you have questions or desire additional financial information, please contact the following person:

Keith Bishop, Chief Financial Officer
Croswell-Lexington Community Schools
5407 E. Peck Road, Croswell, MI 48422
Telephone - 810-679-1002 Fax – 810-679-1005
Email - kbishop@croslex.org

BASIC FINANCIAL STATEMENTS

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities
ASSETS	
Cash & equivalents	\$ 4,334,300
Investments	4,286,566
Receivables:	
Accounts receivable	10,294
Intergovernmental receivable	3,438,641
Prepaid expenses	80,900
Inventories	8,563
Capital assets not being depreciated	1,559,702
Capital assets, net of accumulated depreciation	19,978,214
TOTAL ASSETS	33,697,180
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding, net of amortization	103,694
Related to pensions	9,770,278
Related to other postemployment benefits	2,293,465
TOTAL DEFERRED OUTFLOWS OF RESOURCES	12,167,437
LIABILITIES	
Accounts payable	482,718
Accrued salaries and related items	1,769,696
Accrued retirement	319,914
Due to other governmental units	208,417
Unearned revenue	1,015,716
Accrued interest	78,260
Noncurrent liabilities:	
Due within one year	1,305,205
Due in more than one year	14,315,369
Net OPEB liability	7,490,204
Net pension liability	35,117,750
TOTAL LIABILITIES	62,103,249
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	1,838,778
Related to other postemployment benefits	3,100,918
Related to state aid funding for pension	1,145,781
TOTAL DEFERRED INFLOWS OF RESOURCES	6,085,477
NET POSITION	
Net investment in capital assets	6,266,873
Restricted for debt service	2,665,527
Unrestricted	(31,256,509)
TOTAL NET POSITION	\$ (22,324,109)

See notes to financial statements.

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	PROGRAM REVENUES		GOVERNMENTAL
		Charges for Services	Operating Grants and Contributions	ACTIVITIES
				Net (Expense) Revenue and Changes in Net Position
Governmental activities:				
Instruction	\$ 14,527,815		\$ 2,347,042	\$ (12,180,773)
Support services	8,280,809		1,564,694	(6,716,115)
Community services	96,051	\$ 38,641		(57,410)
Food services	1,157,811	206,981	1,100,909	150,079
Capital projects	435,727		-	(435,727)
Interest on long-term debt	757,370		205,182	(552,188)
Student/school activities	233,958		235,377	1,419
Unallocated depreciation	992,780			(992,780)
Total governmental activities	\$ 26,482,321	\$ 245,622	\$ 5,453,204	(20,783,495)
General revenues:				
Property taxes, levied for general purposes				3,821,769
Property taxes, levied for debt service				1,334,600
Property taxes, levied for sinking fund				493,527
State sources - unrestricted				14,409,810
Investment revenue				128,194
Sale of assets				11,745
Miscellaneous				359,776
Total general revenue				20,559,421
Change in net position				(224,074)
Net position, beginning of year as restated				(22,100,035)
Net position, end of year				\$ (22,324,109)

See notes to financial statements.

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

	GENERAL FUND	NON-BOND CAPITAL PROJECTS	CAPITAL PROJECTS SINKING FUND	COMBINED DEBT SERVICE FUND	TOTAL OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:						
Cash & equivalents	\$ 182,704	\$ 652,004	\$ 675,789	\$ 2,630,893	\$ 192,910	\$ 4,334,300
Investments	2,509,090	1,164,016	-	-	613,460	4,286,566
Accounts receivable	10,294	-	-	-	-	10,294
Due from other funds	143,012	-	-	167,670	-	310,682
Intergovernmental receivable	3,432,563	-	-	-	6,078	3,438,641
Prepaid expenditures	20,900	-	-	-	60,000	80,900
Inventory	-	-	-	-	8,563	8,563
TOTAL ASSETS	\$ 6,298,563	\$ 1,816,020	\$ 675,789	\$ 2,798,563	\$ 881,011	\$ 12,469,946
LIABILITIES:						
Accounts payable	\$ 82,058	\$ -	\$ 230,005	\$ -	\$ 170,655	\$ 482,718
Accrued salaries and related items	1,769,696	-	-	-	-	1,769,696
Accrued retirement	319,914	-	-	-	-	319,914
Due to other funds	-	-	228,512	54,776	27,394	310,682
Intergovernmental payable	205,759	-	-	-	2,658	208,417
Unearned revenue	1,015,716	-	-	-	-	1,015,716
TOTAL LIABILITIES	3,393,143	-	458,517	54,776	200,707	4,107,143
FUND BALANCES:						
Nonspendable:						
Inventory	-				8,563	8,563
Prepays	20,900				60,000	80,900
Restricted for:						
Debt retirement				2,743,787	-	2,743,787
Capital projects (sinking fund)			217,272	-	-	217,272
Food service					308,526	308,526
Committed for:						
Capital projects		1,816,020				1,816,020
Student/school activities					165,081	165,081
Assigned for:						
Subsequent year expenditures	498,535				138,134	636,669
Compensated absences	245,837					245,837
Unassigned	2,140,148					2,140,148
TOTAL FUND BALANCES	2,905,420	1,816,020	217,272	2,743,787	680,304	8,362,803
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,298,563	\$ 1,816,020	\$ 675,789	\$ 2,798,563	\$ 881,011	\$ 12,469,946

See notes to financial statements.

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

Total Fund Balances - Governmental Funds	\$ 8,362,803
Amounts reported for governmental activities in the statement of net position are different because:	
Deferred outflows of resources - charges on refunding, net of amortization	103,694
Deferred outflows of resources- related to pensions	9,770,278
Deferred outflows of resources- related to other postemployment benefits	2,293,465
Deferred inflows of resources - related to pensions	(1,838,778)
Deferred inflows of resources - related to other postemployment benefits	(3,100,918)
Deferred inflows of resources - related to state aid funding for pensions	(1,145,781)
Capital assets used in governmental activities are not financial resources and are not reported in the funds	
Cost of capital assets	36,493,204
Accumulated depreciation	(14,955,288)
Long term liabilities are not due and payable in the current period and are not reported in the funds	
Long-term debt obligations	(15,374,737)
Compensated absences	(245,837)
Accrued interest is not included as a liability in governmental funds; it is recorded when paid	(78,260)
Net other postemployment benefit liabilities	(7,490,204)
Net pension liability	<u>(35,117,750)</u>
Net Position of Governmental Activities	<u>\$ (22,324,109)</u>

See notes to financial statements.

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	GENERAL FUND	NON-BOND CAPITAL PROJECTS	CAPITAL PROJECTS SINKING FUND	COMBINED DEBT SERVICE FUND	TOTAL OTHER NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:						
Local sources						
Property tax	\$ 3,821,769	\$ -	\$ 493,527	\$ 1,334,600	\$ -	\$ 5,649,896
Tuition	38,641	-	-	-	-	38,641
Investment earnings	69,304	853	1,499	56,538	-	128,194
Food sales	-	-	-	-	206,981	206,981
Student activity income	-	-	-	-	235,377	235,377
Other	225,570	-	-	-	22,497	248,067
Total local sources	<u>4,155,284</u>	<u>853</u>	<u>495,026</u>	<u>1,391,138</u>	<u>464,855</u>	<u>6,507,156</u>
State sources	17,680,050	-	-	21,122	45,855	17,747,027
Federal sources	608,211	-	-	184,060	1,055,054	1,847,325
Other Transactions						
Transfer from other districts	99,950	-	-	-	-	99,950
Other	11,759	-	-	-	-	11,759
TOTAL REVENUES	<u>22,555,254</u>	<u>853</u>	<u>495,026</u>	<u>1,596,320</u>	<u>1,565,764</u>	<u>26,213,217</u>
EXPENDITURES:						
Instruction	13,296,218					13,296,218
Supporting services	7,265,831					7,265,831
Community services	96,051					96,051
Other transactions	2,053,742					2,053,742
Food services					1,110,928	1,110,928
Student/school activities					233,958	233,958
Capital projects		157,973	277,754		-	435,727
Debt service:						
Principal retirement	174,802	-	-	865,000	-	1,039,802
Interest	-	-	-	857,433	-	857,433
Other	-	-	-	1,044	-	1,044
TOTAL EXPENDITURES	<u>22,886,644</u>	<u>157,973</u>	<u>277,754</u>	<u>1,723,477</u>	<u>1,344,886</u>	<u>26,390,734</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(331,390)</u>	<u>(157,120)</u>	<u>217,272</u>	<u>(127,157)</u>	<u>220,878</u>	<u>(177,517)</u>
OTHER FINANCING SOURCES (USES):						
Transfer from other funds	27,000	-		182,369	-	209,369
Transfer to other funds	(182,369)	-		-	(27,000)	(209,369)
Sale of fixed assets	11,745	-		-	-	11,745
TOTAL OTHER FINANCING SOURCES (USES)	<u>(143,624)</u>	<u>-</u>		<u>182,369</u>	<u>(27,000)</u>	<u>11,745</u>
NET CHANGES IN FUND BALANCES	<u>(475,014)</u>	<u>(157,120)</u>	<u>217,272</u>	<u>55,212</u>	<u>193,878</u>	<u>(165,772)</u>
FUND BALANCES, BEGINNING OF YEAR, AS RESTATED	<u>3,380,434</u>	<u>1,973,140</u>	<u>-</u>	<u>2,688,575</u>	<u>486,426</u>	<u>8,528,575</u>
FUND BALANCES - END OF YEAR	<u>\$ 2,905,420</u>	<u>\$ 1,816,020</u>	<u>\$ 217,272</u>	<u>\$ 2,743,787</u>	<u>\$ 680,304</u>	<u>\$ 8,362,803</u>

See notes to financial statements.

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
RECONCILIATION OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

Total net changes in fund balances - governmental funds \$ (165,772)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets are allocated over their useful lives as depreciation:

Depreciation expense	(992,780)
Capital outlay	992,870

Accrued interest on bonds is recorded in the statement of activities when incurred; it is not recorded in governmental funds until it is paid:

Accrued interest payable at the beginning of the year	79,520
Accrued interest payable at the end of the year	(78,260)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect of these differences in the treatment of long-term debt and related items is as follows:

Payments on debt	1,370,716
Amortization on bond premium	137,663
Amortization on bond discount	(6,492)
Amortization on deferred charge	(14,002)

Compensated absences are reported on the accrual method in the statement of activities and recorded as an expenditure when due in the governmental funds:

Accrued compensated absences beginning of the year	227,778
Accrued compensated absences end of the year	(245,837)

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

Pension related items	(2,165,981)
Other postemployment benefits related items	603,218

Restricted revenue reported in governmental funds that is deferred to offset the deferred outflows related to section 147c pension contributions subsequent to the measurement period

State aid funding for pension	33,285
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Change in net position of governmental activities	\$ (224,074)
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See notes to financial statements.

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020

	CUSTODIAL FUND
CURRENT ASSETS	
Cash and equivalents	\$ 73,576
TOTAL ASSETS	\$ 73,576
 LIABILITIES	
 NET POSITION	
Restricted for scholarships	73,576
TOTAL LIABILITIES AND NET POSITION	\$ 73,576

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2020

	CUSTODIAL FUND
Additions:	
Interest	\$ 273
Deductions:	
Scholarships and expenses	7,500
Change in Net Position	(7,227)
Net Position - July 1	80,803
Net Position - June 30	\$ 73,576

See notes to financial statements.

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. All fiduciary activities are reported only in the fund statements. *Governmental activities* normally are supported by taxes, and intergovernmental revenues.

REPORTING ENTITY:

Croswell-Lexington Community Schools (the "District") is governed by the Croswell-Lexington Community Schools Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board (GASB) Statements.

BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS:

While separate government-wide and fund financial statements are presented, they are interrelated. The government activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements.

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

BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS:

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

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

The *Non-Bond Capital Projects Fund* is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The *Capital Projects Sinking Fund* accounts for receipts of the sinking fund millage proceeds and the acquisition of capital assets or construction of capital projects. The District has complied with applicable provision of §1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

The *Combined Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

OTHER NON-MAJOR FUNDS:

The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and student/school activities in special revenue fund.

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *Custodial Fund* consists of assets for the benefit of individuals and the District does not have administrative involvement with the assets or direct financial involvement with the assets. In additions, the assets are not derived from the District's provision of goods or services to those individuals. This fund is used to account for assets that the District holds for others in an agency capacity.

During the course of operations the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in the fund financial statements, they are eliminated in the preparation of the government-wide financial statements.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING:

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

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

The fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, except for the recognition of certain liabilities to the beneficiaries of fiduciary activity. Liabilities to beneficiaries are recognized when an event has occurred that compels the District to disburse fiduciary resources.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within approximately 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 and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital lease are reported as other financing sources.

Property taxes, state and federal aid and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within approximately 60 days of year end).

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The foundation is funded from 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 current year ended, the foundation allowance was based on the pupil membership counts.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills on Principal Residence Exception (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 taxes which may be levied at a rate of up to 18 mills as well as 6 mills for Commercial Personal Property Tax. The State revenue is recognized during the foundation period and is funded through payments from October to August. Thus, the unpaid portion at June 30th is reported as an intergovernmental receivable.

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

All other revenue items are generally considered to be measureable and available only when cash is received by the District.

BUDGETARY INFORMATION:

Budgetary basis of accounting:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund and special revenue fund. Capital projects funds are appropriated on a project-length basis. Other funds do not have appropriated budgets.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executor) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The District does not utilize encumbrance accounting.

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 (1968 PA 2). 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, or in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.
4. Transfers may be made for 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. The budget was amended during the year with supplemental appropriations, the last one approved prior to the year ended June 30, 2020. The District does not consider these amendments to be significant.

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE:

Cash and cash equivalents

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

Investments

In accordance with Michigan Compiled Laws, the District is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

Inventories and prepaid items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital assets

Capital assets, which include property, plant, equipment, and transportation vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and estimated useful life in excess of two years. Group purchases are evaluated on a case by case basis. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Land and construction in progress, if any, are not depreciated. The other property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	15 – 20 years
Buildings and improvements	20 – 50 years
Technology and computers	5 – 20 years
Furniture and equipment	5 – 20 years
Transportation equipment	5 – 10 years

Defined Benefit Plans

For purposes of measuring the net pension and other postemployment benefit liability, deferred outflows of resources and deferred inflows of resources related to pensions and other postemployment benefits, and pension and other postemployment benefits 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.

Deferred outflows

In addition to assets, the statement of net position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualifies for reporting in this category. They are a deferred charge on refunding, pension, and other postemployment benefit related items reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows are recognized for pension and other postemployment benefit related items. These amounts are expended in the plan year in which they apply.

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

Deferred inflows

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. The first is restricted section 147c state aid deferred to offset deferred outflows related to section 147c pension contributions subsequent to the measurement period. The second and third items are future resources yet to be recognized in relation to the pension and other postemployment benefit actuarial calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension and other postemployment benefit liability and the actual results. The amounts are amortized over a period determined by the actuary. These amounts are deferred and recognized as inflow of resources in the period that the amounts become available.

Net position flow assumptions

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

Fund balance flow assumptions

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

Fund balance policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of the resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

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

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

REVENUES AND EXPENDITURES/EXPENSES:

Program revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements for a particular function or segment. All taxes, including those dedicated for specific purposes, unrestricted state aid, interest, and other internally dedicated resources are reported as general revenues rather than as program revenues.

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 July 1 and 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 September 14 and 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, 2020, the District levied the following amounts per \$1,000 of assessed valuation:

<u>FUND</u>	<u>MILLS</u>
General Fund:	
Non-Principle Residence Exemption (PRE)	18.0000
Commercial Personal Property	6.0000
Debt Service Fund:	
PRE, Non-PRE, Commercial Personal Property	2.4000
Sinking Fund:	
PRE, Non-PRE, Commercial Personal Property	0.9000

Compensated absences

The District's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary and related benefits, where applicable.

Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest method over the term of the related debt. Bond issuance costs are reported as expenditures in the year which they are incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 2 - DEPOSITS AND INVESTMENTS:

As of June 30, 2020, the District had deposits and investments subject to the following risk.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2020, \$4,281,645 of the District's bank balance of \$4,781,645 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was \$4,407,876.

Custodial credit risk - investments. For an investment, this 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 will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Investment Type	Fair value	Weighted Average Maturity (Years)
MILAF External Investment pool - CMC	\$ 2,796	N/A
MILAF External Investment pool - MAX	4,283,770	N/A
Total fair value	\$ 4,286,566	

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit equality.

Investment Type	Fair value	Rating	Rating Agency
MILAF External Investment pool - CMC	\$ 2,796	AAAm	Standard & Poor's
MILAF External Investment pool - MAX	4,283,770	AAAm	Standard & Poor's
Total	\$ 4,286,566		

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

Fair value measurement. The District is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

The District does not have any investments subject to the fair value measurement.

The District voluntarily invests certain excess funds in external pooled investment funds which included money market funds. One of the pooled investment funds utilized by the District is the Michigan Investment Liquid Asset Fund (MILAF). MILAF funds are considered external investment pools as defined by the GASB and as such are recorded at amortized cost which approximate fair value. The MILAF (MAX Class) fund requires notification of redemptions prior to 14 days to avoid penalties. These funds are not subject to the fair value disclosures.

Investment Type	Amortized Cost
MILAF External Investment pool - CMC	\$ 2,796
MILAF External Investment pool - MAX	4,283,770
Total	\$ 4,286,566

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note 1.

At the following summarizes the categorization of these amounts as of June 30, 2020

	Primary Government	Custodial Fund	Total
Cash and cash equivalents	\$ 4,334,300	\$ 73,576	\$ 4,407,876
Investments	4,286,566	-	4,286,566
	\$ 8,620,866	\$ 73,576	\$ 8,694,442

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 3 – INTERGOVERNMENTAL RECEIVABLES:

Intergovernmental receivables at June 30, 2020 consist of the following:

Governmental Units:		
State aid	\$	2,450,103
Federal revenue		608,211
Other		380,327
		<u>380,327</u>
	\$	<u>3,438,641</u>

Amounts due from governmental units include amounts due from federal, state, and local sources for various projects and programs.

Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

NOTE 4 – CAPITAL ASSETS:

A summary of changes in the District's capital assets follows:

	<u>BALANCE</u> <u>July 1, 2019</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>BALANCE</u> <u>June 30, 2020</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 1,145,786			\$ 1,145,786
Construction in process	14,963	\$ 413,916	\$ (14,963)	413,916
Total capital assets not being depreciated	<u>1,160,749</u>	<u>413,916</u>	<u>(14,963)</u>	<u>1,559,702</u>
Capital assets:				
Land improvements	2,384,527			2,384,527
Building and improvements	27,489,603			27,489,603
Technology and computers	1,081,073	5,824		1,086,897
Furniture and equipment	1,182,163	415,543		1,597,706
Transportation equipment	2,344,246	172,550	(142,027)	2,374,769
Subtotal	34,481,612	593,917	(142,027)	34,933,502
Accumulated depreciation:				
Land improvements	(1,146,763)	(107,233)		(1,253,996)
Building and improvements	(10,036,268)	(535,678)		(10,571,946)
Technology and computers	(923,034)	(52,081)		(975,115)
Furniture and equipment	(515,158)	(85,342)		(600,500)
Transportation equipment	(1,483,312)	(212,446)	142,027	(1,553,731)
Subtotal	<u>(14,104,535)</u>	<u>(992,780)</u>	<u>142,027</u>	<u>(14,955,288)</u>
Capital assets, net of accumulated depreciation	20,377,077	(398,863)	-	19,978,214
Net governmental capital assets	<u>\$ 21,537,826</u>	<u>\$ 15,053</u>	<u>\$ (14,963)</u>	<u>\$ 21,537,916</u>

Depreciation for the fiscal year ended June 30, 2020 amounted to \$992,780. The District determined that it was impractical to allocate depreciation to the various governmental activities as the assets serve multiple functions.

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 5 - LONG-TERM OBLIGATIONS:

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligations are direct obligations and pledge the full faith and credit of the District.

The following is a summary of the long-term obligations for the district for the year ended June 30,

	General Obligation Bonds (including premiums and discounts)	Notes from direct borrowings and direct placements	Compensated Absences	Total
Balance - July 1, 2019	\$ 15,850,555	\$ 1,026,069	\$ 227,778	\$ 17,104,402
Additions			18,059	18,059
Deletions	(996,171)	(505,716)		(1,501,887)
Balance June 30, 2020	14,854,384	520,353	245,837	15,620,574
Due Within One Year	(890,000)	(402,905)	(12,300)	(1,305,205)
Due In More Than One Year	<u>\$ 13,964,384</u>	<u>\$ 117,448</u>	<u>\$ 233,537</u>	<u>\$ 14,315,369</u>

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

Long-term obligations at June 30, 2020 is comprised of the following issues:

General obligation bonds

2010 refunding bonds due in annual installments of \$100,000 to \$665,000 through May 1, 2026 with interest from 2.00% to 4.20%	\$ 635,000
2010 Building and Site Bonds due in annual installments of \$275,000 to \$1,200,000 through May 1, 2029 with interest from 2.37% to 6.05%	4,000,000
2019 refunding bonds due in annual installments of \$760,000 to \$1,140,000 through May 1, 2029 with interest of 5.00%	9,090,000
Plus bond premiums	1,172,801
Less bond discounts	<u>(43,417)</u>
Total general obligation bonds	14,854,384

Direct borrowings and direct placements

Capital leases

Capital lease to purchase three school buses with payments over five years	50,723
Capital lease to purchase three school buses with payments over five years	104,431
Capital lease to purchase student educational devices with payments over three years	<u>217,603</u>
Total capital leases	372,757

Installment contracts

Installment contract to purchase scoreboards with payments over five years	70,717
Installment contract to purchase a security camera system over three years	37,437
Installment contract to purchase education curriculum over three years	<u>39,442</u>
Total installment contracts	147,596

Total direct borrowings and direct placements 520,353

Compensated absences 245,837

Total general long-term obligations \$ 15,620,574

On February 5, 2019, the District issued \$9,850,000 2019 Refunding Bonds with an interest rate of 5.00%. The District issued the bonds to refund \$10,975,000 of the District's outstanding 2009 bonds with interest rates ranging from 5.100% to 6.050%. The 2019 bonds mature at various times through May 1, 2029. After paying issuance cost of \$93,997, the net proceeds were \$11,226,534. The net proceeds from the issuance of the refunding bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the bonds are paid in full.

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
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The District has defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2020, \$10,630,000 of bonds outstanding is considered defeased.

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of \$520,353 contains provisions that in an event of default, either by (1) unable to make principal or interest payments (2) false or misrepresentation is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

The annual requirements to amortize long-term debt outstanding as of June 30, 2020 are as follows:

<u>YEAR ENDED JUNE 30,</u>	<u>GENERAL OBLIGATION BONDS</u>		<u>NOTES FROM DIRECT BORROWINGS AND DIRECT PLACEMENTS</u>		<u>TOTAL</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	
2021	\$ 890,000	\$ 697,580	\$ 402,905	\$ 8,859	\$ 1,999,344
2022	955,000	654,130	58,378	1,399	1,668,907
2023	1,030,000	607,430	59,070	706	1,697,206
2024	1,085,000	556,980			1,641,980
2025	1,140,000	503,780			1,643,780
2026-2029	8,625,000	872,495			9,497,495
	<u>13,725,000</u>	<u>3,892,395</u>	<u>520,353</u>	<u>10,964</u>	<u>18,148,712</u>
Bond premiums	1,172,801				1,172,801
Bond discounts	(43,417)				(43,417)
Compensated absences	<u>245,837</u>				<u>245,837</u>
TOTAL	<u>\$ 15,100,221</u>	<u>\$ 3,892,395</u>	<u>\$ 520,353</u>	<u>\$ 10,964</u>	<u>\$ 19,523,933</u>

The above interest payments do not include the interest credits on the Build America Bonds (BAB) or the Qualified School Construction Bonds (QSCB). See page 57 for complete schedules showing these credits.

A fund balance amount of \$2,743,787 is available in the debt service funds to service the general obligation debt.

Interest expense (all funds) for the year ended June 30, 2020 was \$859,433.

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES:

Interfund receivable and payable balances at June 30, 2020 are as follows:

Receivable Fund		Payable Fund	
General Fund	\$ 143,012	Student/school activities	\$ 27,394
Debt		Capital projects	228,512
2010 refunding bonds	112,894	Debt	54,776
2019 refunding bonds	54,776		
Total	\$ 310,682		\$ 310,682

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 7 – PENSION AND OTHER POST RETIREMENT BENEFITS:

Plan Description - The Michigan Public School Employees' Retirement System (MPSERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. MPSERS issues a publicly available Comprehensive Annual Financial Report that can be obtained at <http://michigan.gov/orsschools>.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act.

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

Benefits Provided Overall - Participants are enrolled in one of multiple plans based on date of hire and certain voluntary elections. A summary of the pension plans offered by MPSERS is as follows:

<u>Plan Name</u>	<u>Plan Type</u>	<u>Plan Status</u>
Basic	Defined Benefit	Closed
Member Investment Plan (MIP)	Defined Benefit	Closed
Pension Plus	Hybrid	Closed
Pension Plus 2	Hybrid	Open
Defined Contribution	Defined Contribution	Open

Benefits Provided – Pension - 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. Retirement benefits for DB plan members are determined by final average compensation and years of service. 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.

Prior to Pension reform of 2010 there were two plans commonly referred to as Basic and the Member Investment Plan (MIP). Basic Plan member's contributions range from 0% - 4%. On January 1, 1987, the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later including Pension Plus Plan members, contribute at various graduated permanently fixed contributions rates from 3.0% - 7.0%.

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
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Pension Reform 2010 - On May 19, 2010, the Governor signed Public Act 75 of 2010 into law. As a result, any member of the Michigan Public School Employees' Retirement System (MPERS) who became a member of MPERS after June 30, 2010 is a Pension Plus member. Pension Plus is a hybrid plan that contains a pension component with an employee contribution (graded, up to 6.4% of salary) and a flexible and transferable defined contribution (DC) tax-deferred investment account that earns an employer match of 50% (up to 1% of salary) on employee contributions. Retirement benefits for Pension Plus members are determined by final average compensation and years of service. Disability and survivor benefits are available to Pension Plus members.

Pension Reform 2012 - On September 4, 2012, the Governor signed Public Act 300 of 2012 into law. The legislation grants all active members who first became a member before July 1, 2010 and who earned service credit in the 12 months ending September 3, 2012, or were on an approved professional services or military leave of absence on September 3, 2012, a voluntary election regarding their pension. Any changes to a member's pension are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after February 1, 2013.

Under the reform, members voluntarily chose to increase, maintain, or stop their contributions to the pension fund.

An amount determined by the member's election of Option 1, 2, 3, or 4 described below.

Option 1 – Members voluntarily elected to increase their contributions to the pension fund as noted below, and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until terminate public school employment.

- Basic plan members: 4% contribution
- Member Investment Plan (MIP)-Fixed, MIP-Graded, and MIP-Plus members: a flat 7% contribution

Option 2 – Members voluntarily elected to increase their contribution to the pension fund as stated in Option 1 and retain the 1.5% pension factor in their pension formula. The increased contribution would begin as of their transition date and continue until they reach 30 years of service. If and when they reach 30 years of service, their contribution rates will return to the previous level in place as of the day before their transition date (0% for Basic plan members, 3.9% for MIP-Fixed, up to 4.3% for MIP-Graded, or up to 6.4% for MIP-Plus). The pension formula for any service thereafter would include a 1.25% pension factor.

Option 3 – Members voluntarily elected not to increase their contribution to the pension fund and maintain their current level of contribution to the pension fund. The pension formula for their years of service as of the day before their transition date will include a 1.5% pension factor. The pension formula for any service thereafter will include a 1.25% pension factor.

Option 4 – Members voluntarily elected to no longer contribute to the pension fund and therefore are switched to the Defined Contribution plan for future service as of their transition date. As a DC participant they receive a 4% employer contribution to the tax-deferred 401(k) account and can choose to contribute up to the maximum amounts permitted by the IRS to a 457 account. They vest in employer contributions and related earnings in their 401(k) account based on the following schedule: 50% at 2 years, 75% at 3 years, and 100% at 4 years of service. They are 100% vested in any personal contributions and related earnings in their 457 account. Upon retirement, if they meet age and service requirements (including their total years of service), they would also receive a pension (calculated based on years of service and final average compensation as of the day before their transition date and a 1.5% pension factor).

Members who did not make an election before the deadline defaulted to Option 3 as described above. Deferred or nonvested public school employees on September 3, 2012, who return to public school employment on or after September 4, 2012, will be considered as if they had elected Option 3 above. Returning members who made the retirement plan election will retain whichever option they chose.

Employees who first work on or after September 4, 2012 choose between two retirement plans: the Pension Plus Plan and a Defined Contribution that provides a 50% employer match up to 3% of salary on employee contributions.

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
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YEAR ENDED JUNE 30, 2020

Final Average Compensation (FAC) - Average of highest 60 consecutive months for Basic Plan members and Pension Plus members (36 months for MIP members). FAC is calculated as of the last day worked unless the member elected option 4, in which case the FAC is calculated at the Transition Date.

Pension Reform of 2017

On July 13, 2017, the Governor signed Public Act 92 of 2017 into law. The legislation closes the current hybrid plan (Pension Plus) to newly hired employees as of February 1, 2018 and creates a new optional Pension Plus 2 plan with similar plan benefit calculations but containing a 50/50 cost share between the employee and the employer, including the cost of future unfunded liabilities. The assumed rate of return on the Pension Plus 2 plan is 6%. Further, the law provides that, under certain conditions, the Pension Plus 2 plan would close to new employees if the actuarial funded ratio falls below 85% for two consecutive years. The law includes other provisions to the retirement eligibility age, plan assumptions, and unfunded liability payment methods.

Benefits Provided – Other postemployment benefit (OPEB)

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree health care recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP-Graded plan members), the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008, (MIP-Plus plan members), have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date.

Retiree Healthcare Reform of 2012

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

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

Regular Retirement (no reduction factor for age)

Eligibility - Age 55 with 30 years credited service; or age 60 with 10 years credited service. For Member Investment Plan (MIP) members, age 46 with 30 years credited service; or age 60 with 10 years credited service; or age 60 with 5 years of credited service provided member worked through 60th birthday and has credited service in each of the last 5 years. For Pension Plus (PPP) members, age 60 with 10 years of credited service.

Annual Amount – The annual pension is paid monthly for the lifetime of a retiree. The calculation of a member's pension is determined by their pension elected under PA 300 of 2012.

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
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Member Contributions

Depending on the plan selected, member contributions range from 0% - 7% for pension and 0% - 3% for other postemployment benefits. Plan members electing the defined contribution plan are not required to make additional contributions.

Employer Contributions

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of members and retiree Other Post-Employment Benefits (OPEB). Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis.

Pension and OPEB contributions made in the fiscal year ending September 30, 2019 were determined as of the September 30, 2016 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2016 are amortized over a 20-year period beginning October 1, 2018 and ending September 30, 2038.

School districts' contributions are determined based on employee elections. There are several different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS. The range of rates is as follows:

	Pension	Other Postemployment Benefit
October 1, 2018 - September 30, 2019	13.39% - 19.59%	7.57% - 7.93%
October 1, 2019 - September 30, 2020	13.39% - 19.59%	7.57% - 8.09%

The District's pension contributions for the year ended June 30, 2020 were equal to the required contribution total. Total pension contributions were approximately \$2,960,000 with \$2,924,000 specifically for the Defined Benefit Plan and approximately \$36,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2020 were equal to the required contribution total. Total OPEB contributions were approximately \$755,000. Of the total OPEB contributions, approximately \$740,000 was contributed to fund the Defined Benefit Plan and approximately \$15,000 was contributed to fund the Defined Contribution Plan .

These amounts, for both pension and OPEB benefit, include contributions funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate (100% for pension and 0% for OPEB).

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

Pension Liabilities

The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2018 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

MPSERS (Plan) Non-university employers:	September 30, 2019	September 30, 2018
Total Pension Liability	\$ 83,442,507,212	\$ 79,863,694,444
Plan Fiduciary Net Position	\$ 50,325,869,388	\$ 49,801,889,205
Net Pension Liability	\$ 33,116,637,824	\$ 30,061,805,239
Proportionate Share	0.10604%	0.10723%
Net Pension Liability for the District	\$ 35,117,750	\$ 32,234,817

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

For the year ended June 30, 2020, the District recognized pension expense of \$5,062,686.

At June 30, 2020, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 6,876,080	
Net difference between projected and actual earnings on pension plan investments		\$ 1,125,464
Difference between expected and actual experience	157,409	146,438
Changes in proportionate and differences between employer contributions and proportionate share of contributions	-	566,876
Reporting Unit contributions subsequent to the measurement date	2,736,789	
Total	\$ 9,770,278	\$ 1,838,778

\$2,736,789 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 subsequent fiscal year.

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

<u>Year ended September 30,</u>	<u>Amount</u>
2020	\$ 1,995,823
2021	1,658,291
2022	1,101,434
2023	439,163

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

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

OPEB Liabilities

The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2018 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined.

<u>MPSERS (Plan) Non-university employers</u>	<u>September 30, 2019</u>	<u>September 30, 2018</u>
Total Other Postemployment Benefit Liability	\$ 13,925,860,688	\$ 13,932,170,264
Plan Fiduciary Net Position	\$ 6,748,112,668	\$ 5,983,218,473
Net Other Postemployment Benefit Liability	\$ 7,177,748,020	\$ 7,948,951,791
Proportionate Share	0.10435%	0.10691%
Net Other Postemployment Benefit Liability for the District	\$ 7,490,204	\$ 8,498,024

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

For the year ended , the District recognized OPEB expense of \$142,679.

At , the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 1,622,976	
Net difference between projected and actual earnings on OPEB plan investments		\$ 130,258
Difference between expected and actual experience		2,748,368
Changes in proportion and differences between employer contributions and proportionate share of contributions	249	222,292
Reporting Unit contributions subsequent to the measurement date	670,240	
Total	<u>\$ 2,293,465</u>	<u>\$ 3,100,918</u>

\$670,240, reported as deferred outflows of resources related to OPEB resulting from District employer contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

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

<u>Year ended September 30,</u>	<u>Amount</u>
2020	\$ (397,608)
2021	(397,608)
2022	(332,595)
2023	(228,605)
2024	(121,277)

Actuarial Assumptions

Investment rate of return for Pension – 6.80% a year, compounded annually net of investment and administrative expenses for the MIP, Basic, and Pension Plus groups and 6.0% a year, compounded annually net of investment and administrative expenses for the Pension Plus 2 Plan.

Investment rate of return for OPEB – 6.95% a year, compounded annually net of investment and administrative expenses.

Salary increases - The rate of pay increase used for individual members is 2.75%.

Inflation – 3.0 %

Mortality assumptions –

Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Active: RP-2014 Male and Female Healthy Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Disabled Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Experience study - The annual actuarial valuation report of the System used for these statements is dated September 30, 2018. Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation.

The long-term expected rate of return on pension and other postemployment benefit plan investments - The rate was 6.80% (MIP, Basic, and Pension Plus Plan) and 6.0% for Pension Plus 2 Plan, and the other postemployment benefit rate was 6.95%, net of investment and administrative expenses was determined using a 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.

Cost of Living Pension Adjustments – 3.0% annual non-compounded for MIP members

Healthcare cost trend rate for other postemployment benefit – 7.5% for year one and graded to 3.5% to year twelve.

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

Additional assumptions for other postemployment benefit only – Applies to individuals hired before September 4, 2012:

Opt Out Assumption – 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.

Survivor Coverage – 80% of male retirees and 67% of female retirees are assumed to have coverage continuing after the retiree’s death

Coverage Election at Retirement – 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents

The target allocation at September 30, 2019 and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Investment Category</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic Equity Pools	28.00%	5.50%
Private Equity Pools	18.00%	8.60%
International Equity	16.00%	7.30%
Fixed Income Pools	10.50%	1.20%
Real Estate and Infrastructure Pools	10.00%	4.20%
Absolute Return Pools	15.50%	5.40%
Short Term Investment Pools	2.00%	0.80%
Total	<u>100.00%</u>	

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

Rate of return – For fiscal year ended September 30, 2019, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was 5.14% and 5.37% respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Pension Discount rate – A single discount rate of 6.80% was used to measure the total pension liability (6.0% for the Pension Plus 2 Plan). This discount rate was based on the long-term rate of return on pension plan investments of 6.80% (6.0% for Pension Plus 2 Plan). The projection of cash flows used to determine this single discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from school districts will be made at contractually required rates, actuarially determined. 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 active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

OPEB Discount rate – A single discount rate of 6.95% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.95%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that school districts contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was project to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

Sensitivity of the net pension liability to changes in the discount rate

The following presents the Reporting Unit's proportionate share of the net pension liability calculated using a single discount rate of 6.80 percent (6.0% for the Pension Plus 2 Plan), as well as what the Reporting Unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Pension		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net pension liability	\$ 45,655,322	\$ 35,117,750	\$ 26,381,740

Sensitivity of the net OPEB liability to changes in the discount rate -The following presents the Reporting Unit's proportionate share of the net OPEB liability calculated using a single discount rate of 6.95%, as well as what the Reporting Unit's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other Postemployment Benefit		
	1% Decrease	Discount Rate	1% Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	\$ 9,187,862	\$ 7,490,205	\$ 6,064,644

Sensitivity to the net OPEB liability to changes in the healthcare cost trend rates – The following presents the Reporting Unit's proportionate share of the net other postemployment benefit liability calculated using the healthcare cost trend rate of 7.5% (decreasing to 3.5%), as well as what the Reporting Unit's proportionate share of the net other postemployment benefit liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Other Postemployment Benefit		
	1% Trend Decrease	Current Healthcare Cost Trend Rates	1% Trend Increase
Reporting Unit's proportionate share of the net other postemployment benefit liability	\$ 6,004,207	\$ 7,490,205	\$ 9,187,660

Pension and OPEB Plan Fiduciary Net Position

Detailed information about the pension and OPEB's fiduciary net position is available in the separately issued Michigan Public School Employees Retirement System 2019 Comprehensive Annual Financial Report.

Payable to the Pension and OPEB Plan

At year end the School District is current on all required pension and other postemployment benefit plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for June paid in July, accruals for summer pay primarily for teachers and the contributions due funded from state revenue Section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL).

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 8 – LEASES:

Capital Leases as Lessee

The School District leases school buses and computers under capital lease agreements. The cost and accumulated depreciation as of June 30, 2020 related to the computers and buses is as follows:

Machinery and equipment	\$424,311
Less accumulated depreciation	<u>(186,398)</u>
Machinery and equipment - net	<u>\$ 237,913</u>

The present values of future minimum lease payments under capital leases as of June 30, 2020 are as follows:

	June 30, 2021	\$	309,854
	June 30, 2022		36,205
	June 30, 2023		<u>36,204</u>
Total minimum lease payments			382,263
Less amount representing interest			<u>(9,506)</u>
Present value of minimum lease payments		\$	<u>372,757</u>

Operating leases

The District has an operating lease for various copy machines. Future minimum payments are as follows:

June 30, 2021	\$11,808
June 30, 2022	11,808
June 30, 2023	11,808
June 30, 2024	11,808

Lease expenses on the copy machines for the current year was \$11,808.

NOTE 9 – TRANSFERS:

The food service fund transferred \$27,000 to the general fund for indirect cost reimbursement. The general fund transferred \$182,369 to the combined debt service fund to cover the debt payments.

NOTE 10 - RISK MANAGEMENT:

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. With regard to injuries to employees, the District participates in an association of educational institutions within the State of Michigan for self-insuring workers' disability compensation. The association is considered a public entity risk sharing pool. The District pays annual premiums to the association for its workers' disability compensation coverage. In the event the association's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the policy year may be subject to special assessment to make up the difference. The association maintains reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required. This program is recorded in the general fund. The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2020 or any of the prior three years.

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

NOTE 11 – COMMITMENTS AND CONTINGENCIES:

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time although the District believes such amounts, if any, would be immaterial.

NOTE 12 – TAX ABATEMENT:

The District is required to disclose significant tax abatements as a required by GASB statement 77 (Tax abatements).

The District receives reduced property tax revenues as a result of Industrial Facilities Tax exemptions granted by cities, villages and townships. Industrial facility exemptions are intended to promote construction of new industrial facilities, or to rehabilitate historical facilities. The property taxes abated for all funds by municipality under these programs are as follows:

	Municipality	<u>Taxes Abated</u>
Worth Township		\$ 16,942
City of Croswell		5,473
Total		<u>\$ 22,415</u>

The taxes abated for the general fund operating millage is considered by the State of Michigan when determining the District's section 22 funding of the State School Aid Act.

There are no significant abatements made by the District.

NOTE 13 – NEW ACCOUNTING STANDARD:

For the year ended June 30, 2020, the District implemented the following new pronouncement: GASB Statement No. 84, *Fiduciary Activities*.

Summary:

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

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

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

	Fund Balances	
	Student/School Activity Fund	Total Governmental Funds
Fund balances as of July 1, 2019, as previously stated	\$ -	\$ 8,364,913
Adoption of GASB Statement 84	163,662	163,662
Fund balance as of July 1, 2019, as restated	\$ 163,662	\$ 8,528,575
		Net Position Governmental Activities
Net position as of July 1, 2019, as previously stated		\$ (22,263,697)
Adoption of GASB Statement 84		163,662
Net position as of July 1, 2019, as restated		\$ (22,100,035)

NOTE 14 – UPCOMING ACCOUNTING PRONOUNCEMENT:

Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, was issued by the GASB in June 2017 and will be effective for the District's 2022 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

REQUIRED SUPPLEMENTARY INFORMATION

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2020

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES:				
Local sources				
Property taxes	\$3,724,301	\$ 3,883,599	\$3,821,769	\$ (61,830)
Tuition	30,035	31,041	38,641	7,600
Investment earnings	50,058	65,100	69,304	4,204
Other	200,231	199,223	225,570	26,347
Total local sources	<u>4,004,625</u>	<u>4,178,963</u>	<u>4,155,284</u>	<u>(23,679)</u>
State sources	16,260,016	16,483,503	17,680,050	1,196,547
Federal sources	671,492	727,292	608,211	(119,081)
Other transactions:				
Transfers from other districts	60,271	52,727	99,950	47,223
Other		<u>14,020</u>	<u>11,759</u>	<u>(2,261)</u>
TOTAL REVENUES	<u>20,996,404</u>	<u>21,456,505</u>	<u>22,555,254</u>	<u>1,098,749</u>
EXPENDITURES:				
Instruction:				
Basic programs	10,829,540	10,813,073	10,767,644	45,429
Added needs	2,314,950	2,629,216	2,528,574	100,642
Total instruction	<u>13,144,490</u>	<u>13,442,289</u>	<u>13,296,218</u>	<u>146,071</u>
Supporting services:				
Pupil services	761,451	657,397	691,928	(34,531)
Instructional staff services	421,920	397,071	366,468	30,603
General administration	413,953	550,093	552,133	(2,040)
School administration	1,400,221	1,420,744	1,405,903	14,841
Business services	400,805	416,896	403,223	13,673
Operations and maintenance	1,891,099	1,898,914	1,826,402	72,512
Pupil transportation	1,216,194	1,161,331	1,173,753	(12,422)
Central services	375,615	343,643	389,349	(45,706)
Athletic activities	467,032	475,361	456,672	18,689
Total supporting services	<u>7,348,290</u>	<u>7,321,450</u>	<u>7,265,831</u>	<u>55,619</u>
Debt service:				
Principal retirement	-	-	174,802	(174,802)
Community services	70,551	97,200	96,051	1,149
Other transactions	275,219	2,133,383	2,053,742	79,641
TOTAL EXPENDITURES	<u>20,838,550</u>	<u>22,994,322</u>	<u>22,886,644</u>	<u>107,678</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>157,854</u>	<u>(1,537,817)</u>	<u>(331,390)</u>	<u>1,206,427</u>
OTHER FINANCING SOURCES (USES):				
Reimbursement of insurance claims	-	12,600	-	(12,600)
Sale of assets	-	11,124	11,745	621
Transfers from other funds	55,000	25,100	27,000	1,900
Transfers to other funds	(240,100)	(240,100)	(182,369)	57,731
TOTAL OTHER FINANCING SOURCES (USES)	<u>(185,100)</u>	<u>(191,276)</u>	<u>(143,624)</u>	<u>47,652</u>
NET CHANGE IN FUND BALANCE	<u>\$ (27,246)</u>	<u>\$ (1,729,093)</u>	<u>(475,014)</u>	<u>\$ 1,254,079</u>
FUND BALANCE - BEGINNING OF YEAR			<u>3,380,434</u>	
FUND BALANCE - END OF YEAR			<u>\$2,905,420</u>	

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF PLAN
YEAR ENDED SEPTEMBER 30)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reporting unit's proportion of net pension liability (%)	0.10604%	0.10723%	0.10748%	0.11005%	0.11216%	0.11258%
Reporting unit's proportionate share of net pension liability	\$ 35,117,750	\$ 32,234,817	\$ 27,852,217	\$ 27,456,477	\$ 27,394,560	\$ 24,796,869
Reporting unit's covered-employee payroll	\$ 9,299,828	\$ 9,030,508	\$ 9,032,468	\$ 9,188,836	\$ 9,330,872	\$ 9,506,870
Reporting unit's proportionate share of net pension liability as a percentage of it covered-employee payroll	377.62%	356.95%	308.36%	298.80%	293.59%	260.83%
Plan fiduciary net position as a percentage of total pension liability (Non-university employers)	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REPORTING UNIT'S PENSION CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF THE
YEAR ENDED JUNE 30)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 2,923,840	\$ 2,811,061	\$ 2,714,716	\$ 2,471,221	\$ 2,582,882	\$ 2,046,403
Contributions in relation to statutorily required contributions	<u>2,923,840</u>	<u>2,811,061</u>	<u>2,714,716</u>	<u>2,471,221</u>	<u>2,582,882</u>	<u>2,046,403</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting unit's covered-employee payroll	\$ 9,029,553	\$ 9,081,075	\$ 8,899,829	\$ 8,892,324	\$ 9,233,070	\$ 9,506,870
Contributions as a percentage of covered-employee payroll	32.38%	30.96%	30.50%	27.79%	27.97%	21.53%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE REPORTING UNIT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF PLAN
YEAR ENDED SEPTEMBER 30)

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting unit's proportion of net OPEB liability (%)	0.10435%	0.10691%	0.10736%
Reporting unit's proportionate share of net OPEB liability	\$ 7,490,204	\$ 8,498,024	\$ 9,506,930
Reporting unit's covered-employee payroll	\$ 9,299,828	\$ 9,030,508	\$ 9,032,468
Reporting unit's proportionate share of net OPEB liability as a percentage of it covered-employee payroll	80.54%	94.10%	105.25%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	48.46%	42.95%	36.39%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REPORTING UNIT'S OPEB CONTRIBUTIONS
MICHIGAN PUBLIC SCHOOL EMPLOYEES RETIREMENT PLAN
LAST 10 FISCAL YEARS (DETERMINED AS OF
THE YEAR ENDED JUNE 30)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required OPEB contributions	\$ 740,262	\$ 712,163	\$ 656,189
Contributions in relation to statutorily required contributions	<u>740,262</u>	<u>712,163</u>	<u>656,189</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting unit's covered-employee payroll (OPEB)	\$ 9,029,553	\$ 9,081,075	\$ 8,899,829
OPEB contributions as a percentage of covered-employee payroll	8.20%	7.84%	7.37%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, the District presents information for those years for which information is available.

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020

Pension Information

Changes of benefit terms: There were no changes of benefit terms in 2019.

Changes of assumptions: The assumption changes for 2019 were:

Discount rate for MIP and Basic plans decreased to 6.80% from 7.05%.

Discount rate for Pension Plus decreased to 6.80% from 7.00%.

OPEB Information

Changes of benefit terms: There were no changes of benefit terms in 2019.

Changes of assumptions: The assumption changes for 2019 were:

Discount rate decreased to 6.95% from 7.15%.

Healthcare cost trend rate increased to 7.50% Year 1 graded to 3.50% Year 12 from 7.50% Year 1 graded to 3.00% Year 12.

ADDITIONAL SUPPLEMENTARY INFORMATION

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2020

<u>ASSETS</u>	<u>SPECIAL REVENUE</u>		<u>TOTAL NONMAJOR FUNDS</u>
	<u>FOOD SERVICE</u>	<u>STUDENT/SCHOOL ACTIVITIES</u>	
CURRENT ASSETS			
Cash and cash equivalents	\$ 435	\$ 192,475	\$ 192,910
Investments	613,460	-	613,460
Intergovernmental receivable	6,078	-	6,078
Prepaid	60,000	-	60,000
Inventory	8,563	-	8,563
TOTAL ASSETS	<u>\$ 688,536</u>	<u>\$ 192,475</u>	<u>\$ 881,011</u>
 <u>LIABILITIES AND FUND BALANCE</u> 			
LIABILITIES			
Accounts payable	\$ 170,655	\$ -	\$ 170,655
Due to other governmental units	2,658	-	2,658
Due to other funds	-	27,394	27,394
TOTAL LIABILITIES	<u>173,313</u>	<u>27,394</u>	<u>200,707</u>
FUND BALANCE			
Nonspendable for:			
Inventory	8,563	-	8,563
Prepays	60,000	-	60,000
Restricted for:			
Food service	308,526	-	308,526
Committed	-	165,081	165,081
Assigned for:			
Subsequent year expenditures	138,134	-	138,134
TOTAL FUND BALANCE	<u>515,223</u>	<u>165,081</u>	<u>680,304</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 688,536</u>	<u>\$ 192,475</u>	<u>\$ 881,011</u>

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2020

	<u>SPECIAL REVENUE</u>		<u>TOTAL NONMAJOR FUNDS</u>
	<u>FOOD SERVICE</u>	<u>STUDENT/SCHOOL ACTIVITIES</u>	
REVENUES:			
Local sources			
Student activity income	\$ -	\$ 235,377	\$ 235,377
Food sales	206,981	-	206,981
Other revenues	22,497	-	22,497
Total local sources	<u>229,478</u>	<u>235,377</u>	<u>464,855</u>
State sources	45,855	-	45,855
Federal sources	<u>1,055,054</u>	<u>-</u>	<u>1,055,054</u>
TOTAL REVENUES	<u>1,330,387</u>	<u>235,377</u>	<u>1,565,764</u>
EXPENDITURES			
Current			
Salaires	103,346	-	103,346
Benefits	82,430	-	82,430
Purchased services	364,635	-	364,635
Supplies and materials	21,285	-	21,285
Food purchases	537,830	-	537,830
Student activity expense	-	233,958	233,958
Other expenses	1,402	-	1,402
TOTAL EXPENDITURES	<u>1,110,928</u>	<u>233,958</u>	<u>1,344,886</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	219,459	1,419	220,878
OTHER FINANCING SOURCES (USES):			
Transfers from other funds	-	-	-
Transfers to other funds	<u>(27,000)</u>	<u>-</u>	<u>(27,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(27,000)</u>	<u>-</u>	<u>(27,000)</u>
NET CHANGE IN FUND BALANCES	<u>192,459</u>	<u>1,419</u>	<u>193,878</u>
FUND BALANCE AT BEGINNING OF YEAR, AS RESTATED	<u>322,764</u>	<u>163,662</u>	<u>486,426</u>
FUND BALANCE AT END OF YEAR	<u>\$ 515,223</u>	<u>\$ 165,081</u>	<u>\$ 680,304</u>

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2020

	2010 REFUNDING BONDS	2019 REFUNDING BONDS	2010 BUILDING & SITE BONDS	TOTAL DEBT SERVICE FUNDS
<u>ASSETS</u>				
Cash & cash equivalents	\$ 33,704	\$ 225,866	\$ 2,371,323	\$ 2,630,893
Due from other funds	112,894	54,776		167,670
TOTAL ASSETS	\$ 146,598	\$ 280,642	\$ 2,371,323	\$ 2,798,563
 <u>LIABILITIES & FUND BALANCES</u>				
LIABILITIES				
Due to other funds	\$ -	\$ -	\$ 54,776	\$ 54,776
FUND BALANCES:				
Restricted for debt service	146,598	280,642	2,316,547	2,743,787
TOTAL LIABILITIES & FUND BALANCES	\$ 146,598	\$ 280,642	\$ 2,371,323	\$ 2,798,563

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2020

	<u>2010 REFUNDING BONDS</u>	<u>2019 REFUNDING BONDS</u>	<u>2010 BUILDING & SITE BONDS</u>	<u>TOTAL DEBT SERVICE FUNDS</u>
REVENUES				
Local Sources:				
Current tax levy	\$ 222,481	\$ 1,112,119		\$ 1,334,600
Interest on investments	159	1,616	\$ 54,763	56,538
Total Local Sources	222,640	1,113,735	54,763	1,391,138
State Sources	1,731	19,391		21,122
Federal Sources	-	-	184,060	184,060
TOTAL REVENUES	<u>224,371</u>	<u>1,133,126</u>	<u>238,823</u>	<u>1,596,320</u>
EXPENDITURES:				
Bond principal	105,000	760,000		865,000
Bond interest	30,030	610,153	217,250	857,433
Bond fees and charges	150	375	150	675
Tax abatement	33	336		369
TOTAL EXPENDITURES	<u>135,213</u>	<u>1,370,864</u>	<u>217,400</u>	<u>1,723,477</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENDITURES	<u>89,158</u>	<u>(237,738)</u>	<u>21,423</u>	<u>(127,157)</u>
OTHER FINANCING SOURCES (USES):				
Transfer from other funds	-		182,369	182,369
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>182,369</u>	<u>182,369</u>
NET CHANGES IN FUND BALANCES	<u>89,158</u>	<u>(237,738)</u>	<u>203,792</u>	<u>55,212</u>
FUND BALANCES - JULY 1	<u>57,440</u>	<u>518,380</u>	<u>2,112,755</u>	<u>2,688,575</u>
FUND BALANCES - JUNE 30	<u>\$ 146,598</u>	<u>\$ 280,642</u>	<u>\$ 2,316,547</u>	<u>\$ 2,743,787</u>

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
SCHEDULE OF INSTALLMENT CONTRACTS
JUNE 30, 2020

Date of Contract: July 20, 2016
 Original Amount of Contract: \$253,611

<u>FISCAL YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>TOTAL</u>
2021	\$ 50,723	1.650%	\$ 837	\$ 51,560
TOTAL	<u>\$ 50,723</u>		<u>\$ 837</u>	<u>\$ 51,560</u>

Purpose of Contract: Financing the purchase of 3 school buses.

Date of Contract: August 25, 2017
 Original Amount of Contract: \$170,700

<u>FISCAL YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>TOTAL</u>
2021	\$ 34,127	1.990%	\$ 2,078	\$ 36,205
2022	34,806	1.990%	1,399	36,205
2023	<u>35,498</u>	1.990%	<u>706</u>	<u>36,204</u>
TOTAL	<u>\$ 104,431</u>		<u>\$ 4,183</u>	<u>\$ 108,614</u>

Purpose of Contract: Financing the purchase of 2 school buses.

Date of Contract: April 25, 2018
 Original Amount of Contract: \$117,863

<u>FISCAL YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>TOTAL</u>
2021	\$ 23,573	0.000%	\$ -	\$ 23,573
2022	23,572	0.000%	-	23,572
2023	<u>23,572</u>	0.000%	<u>-</u>	<u>23,572</u>
TOTAL	<u>\$ 70,717</u>		<u>\$ -</u>	<u>\$ 70,717</u>

Purpose of Contract: Financing the purchase of 2 scoreboards.

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
SCHEDULE OF INSTALLMENT CONTRACTS
JUNE 30, 2020

Date of Contract: June 12, 2018
 Original Amount of Contract: \$635,905

<u>FISCAL YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>TOTAL</u>
2021	\$ 217,603	2.062%	\$ 4,486	\$ 222,089
TOTAL	\$ 217,603		\$ 4,486	\$ 222,089

Purpose of Contract: Financing the purchase of student educational devices.

Date of Contract: July 9, 2019
 Original Amount of Contract: \$104,795

<u>FISCAL YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>TOTAL</u>
2021	\$ 37,437	7.116%	\$ 1,458	\$ 38,895
TOTAL	\$ 37,437		\$ 1,458	\$ 38,895

Purpose of Contract: Financing the purchase of security cameras.

Date of Contract: July 01, 2018
 Original Amount of Contract: \$138,884

<u>FISCAL YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST RATE</u>	<u>INTEREST</u>	<u>TOTAL</u>
2021	\$ 39,442	0.000%	\$ -	\$ 39,442
TOTAL	\$ 39,442		\$ -	\$ 39,442

Purpose of Contract: Financing the purchase of educational software.

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT
2010 REFUNDING BONDS
JUNE 30, 2020

Date of Issue: March 16, 2010

Original Amount of Issue: \$4,570,000

<u>FISCAL YEAR</u>	<u>PRINCIPAL May 1</u>	<u>INTEREST RATE</u>	<u>INTEREST DUE</u>		<u>TOTAL</u>
			<u>November 1</u>	<u>May 1</u>	
2021	\$ 105,000	4.000%	\$ 12,915	\$ 12,915	\$ 130,830
2022	105,000	4.000%	10,815	10,815	126,630
2023	105,000	4.000%	8,715	8,715	122,430
2024	105,000	4.000%	6,615	6,615	118,230
2025	105,000	4.200%	4,515	4,515	114,030
2026	<u>110,000</u>	4.200%	<u>2,310</u>	<u>2,310</u>	<u>114,620</u>
TOTAL	<u><u>\$ 635,000</u></u>		<u><u>\$ 45,885</u></u>	<u><u>\$ 45,885</u></u>	<u><u>\$ 726,770</u></u>

Purpose of Issue: Advance refunding of a portion of 2000 Serial Bonds and to pay costs of issuing the bonds.

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT
2019 REFUNDING BONDS
JUNE 30, 2020

Date of Issue: February 5, 2019

Original Amount of Issue: \$9,850,000

<u>FISCAL YEAR</u>	<u>PRINCIPAL May 1</u>	<u>INTEREST RATE</u>	<u>INTEREST DUE</u>		<u>TOTAL</u>
			<u>November 1</u>	<u>May 1</u>	
2021	\$ 785,000	5.000%	\$ 227,250	\$ 227,250	\$ 1,239,500
2022	850,000	5.000%	207,625	207,625	1,265,250
2023	925,000	5.000%	186,375	186,375	1,297,750
2024	980,000	5.000%	163,250	163,250	1,306,500
2025	1,035,000	5.000%	138,750	138,750	1,312,500
2026	1,085,000	5.000%	112,875	112,875	1,310,750
2027	1,145,000	5.000%	85,750	85,750	1,316,500
2028	1,145,000	5.000%	57,125	57,125	1,259,250
2029	<u>1,140,000</u>	5.000%	<u>28,500</u>	<u>28,500</u>	<u>1,197,000</u>
TOTAL	<u><u>\$ 9,090,000</u></u>		<u><u>\$ 1,207,500</u></u>	<u><u>\$ 1,207,500</u></u>	<u><u>\$ 11,505,000</u></u>

Purpose of Issue: Advance refunding of 2009 Building & Site Bonds and to pay costs of issuing the bonds.

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
SCHEDULE OF BONDED DEBT
2010 SCHOOL BUILDING AND SITE BONDS
JUNE 30, 2020

Date of Issue: October 7, 2010

Original Amount of Issue: \$4,000,000

FISCAL YEAR	PRINCIPAL May 1	INTEREST RATE	INTEREST DUE		INTEREST CREDIT	TOTAL
			November 1	May 1		
2021	\$ -	5.300%	\$ 108,625	\$ 108,625	\$ (195,600)	\$ 21,650
2022	-	5.300%	108,625	108,625	(195,600)	21,650
2023	-	5.300%	108,625	108,625	(195,600)	21,650
2024	-	5.300%	108,625	108,625	(195,600)	21,650
2025	-	5.300%	108,625	108,625	(195,600)	21,650
2026	500,000	5.300%	108,625	108,625	(195,600)	521,650
2027	3,500,000	5.450%	95,375	95,375	(171,150)	3,519,600
TOTAL	\$ 4,000,000		\$ 747,125	\$ 747,125	\$ (1,344,750)	\$ 4,149,500

The District has irrevocably designated the above bonds as "Qualified School Construction Bonds". The bonds were issued for the purposes of remodeling, furnishing, equipping and re-equipping school buildings, constructing, equipping, developing and improving athletic and physical education facilities, developing and improving sites, and paying the costs of issuing the bonds.

The District designated the above bonds as "Qualified School Construction Bonds" as defined in Section 54F of the Internal Revenue Code of 1986, as amended, and will irrevocably elect under section 6431(f)(2) of the code to receive direct payments from the United States Treasury equal to the lesser of the amount of interest payable on the bonds or the amount of interest which would have been payable on the bonds if interest were determined at the applicable credit rate determined under Section 54A(b)(c) of the code. The District will deposit all such credits into the debt retirement pledged for the payment of the bonds.

During the year ended June 30, 2013, the IRS reduced the QSBC bond interest credit by 8.7% pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended. The reduction amount is subject to change annually. The credit amounts shown above are original amounts from the bond agreement and have not taken into account any future reductions of this credit.

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT/PROJECT NUMBER	AWARD AMOUNT	ACCRUED (UNEARNED) REVENUE 7/1/2019	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	CURRENT YEAR EXPENDITURES	ACCRUED (UNEARNED) REVENUE 6/30/2020
U.S. DEPARTMENT OF AGRICULTURE:								
Passed through Michigan Dept. of Education:								
Child Nutrition Cluster:								
Non-cash Assistance (commodities)								
National School Lunch Program- non bonus	10.555	N/A	\$ 77,152	\$ -	\$ -	\$ 77,152	\$ 77,152	\$ -
Cash Assistance:								
National School Breakfast	10.553	191970	24,442			24,442	24,442	-
National School Breakfast		201970	124,542			124,542	124,542	-
			148,984	-	-	148,984	148,984	-
National School Lunch	10.555	191960	56,093			56,093	56,093	-
National School Lunch		201960	275,856			275,856	275,856	-
COVID-19 National School Lunch		200902	480,821			480,821	480,821	-
			812,770	-	-	812,770	812,770	-
Summer Food Program	10.559	190900	9,209			9,209	9,209	-
Summer Food Program		191900	956			956	956	-
			10,165	-	-	10,165	10,165	-
Total cash assistance			971,919	-	-	971,919	971,919	-
Total Child Nutrition Cluster			1,049,071	-	-	1,049,071	1,049,071	-
CACFP Meals	10.558	191920	1,091			1,091	1,091	-
CACFP Meals		201920	4,892			4,892	4,892	-
			5,983	-	-	5,983	5,983	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,055,054	-	-	1,055,054	1,055,054	-

(Continued)

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT/PROJECT NUMBER	AWARD AMOUNT	ACCRUED (UNEARNED REVENUE 7/1/2019	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	CURRENT YEAR EXPENDITURES	ACCRUED (UNEARNED) REVENUE 6/30/2020
U.S. DEPARTMENT OF EDUCATION:								
Passed through Michigan Dept. of Education:								
Title I Part A Cluster								
Title I - Part A	84.010	191530 1819	\$ 399,633	\$ 399,633	\$ 399,633	\$ 399,633		\$ -
		201530 1920	381,707			-	\$ 375,977	375,977
Total Title I Part A Cluster			<u>781,340</u>	<u>399,633</u>	<u>399,633</u>	<u>399,633</u>	<u>375,977</u>	<u>375,977</u>
Title IIA -Teacher Quality	84.367	190520 1819	102,405	102,405	102,405	102,405		-
		200520 1920	109,572				91,370	91,370
			<u>211,977</u>	<u>102,405</u>	<u>102,405</u>	<u>102,405</u>	<u>91,370</u>	<u>91,370</u>
Title IV - Part A	84.424	190750 1819	28,032	28,032	28,032	28,032		-
		200750 1920	27,664		-		27,664	27,664
			<u>55,696</u>	<u>28,032</u>	<u>28,032</u>	<u>28,032</u>	<u>27,664</u>	<u>27,664</u>
Total Passed Through Michigan Dept. of Education			<u>1,049,013</u>	<u>530,070</u>	<u>530,070</u>	<u>530,070</u>	<u>495,011</u>	<u>495,011</u>
Passed Through the Sanilac Intermediate School District:								
Special Education IDEA Cluster IDEA	84.027	200450 1920	169,800	-	-	-	113,200	113,200
Total Passed Through the Sanilac Intermediate School District			<u>169,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>113,200</u>	<u>113,200</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 2,273,867</u>	<u>\$ 530,070</u>	<u>\$ 530,070</u>	<u>\$ 1,585,124</u>	<u>\$ 1,663,265</u>	<u>\$ 608,211</u>

The accompanying notes are an integral part of this schedule.

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

1. Basis of Presentation - The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Croswell-Lexington Community Schools under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Croswell-Lexington Community Schools, it is not intended to and does not present the financial position or changes in net position of Croswell-Lexington Community Schools.
2. Summary of Significant Accounting Policies – Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowed or are not limited as to reimbursement. Negative amounts (if any) shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. Croswell-Lexington Community Schools has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.
3. The District qualifies for low-risk auditee status. Management has utilized Cash Management System and the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards. The District does not pass through federal funds.
4. The current year expenditures on the Schedule of Expenditures of Federal Awards agree to the federal revenue reported in the financial statements as follows:

Federal revenue per financial statements:	
General Fund	\$ 608,211
Debt Service Fund	184,060
Food Service Fund	<u>1,055,054</u>
	<u>1,847,325</u>
Less: Federal interest subsidy	<u>(184,060)</u>
Reconciled financial statement balance	<u>\$1,663,265</u>
Federal expenditures per Schedule of Federal Awards	<u>\$1,663,265</u>



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

Thomas B. Doran, CPA	David A. Ondrajka, CPA
Valerie J. Hartel, CPA	Angela M. Burnette, CPA
Jamie L. Peasley, CPA	Chelsie M. Peruski, CPA
.....	
Jerry J. Bernhardt	

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

To the Board of Education
Croswell-Lexington Community Schools
Croswell, MI 48422

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Croswell-Lexington Community Schools as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Croswell-Lexington Community School's basic financial statements and have issued our report thereon date October 20, 2020.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Croswell-Lexington Community Schools' internal control over financial reporting (internal control) to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Croswell-Lexington Community Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Croswell-Lexington Community Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Croswell-Lexington Community School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a 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 the 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 Croswell-Lexington Community Schools' financial statements are free of 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*.

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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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CARO, MICHIGAN

October 20, 2020



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

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

To the Board of Education
Croswell-Lexington Community Schools
Croswell, MI 48422

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Croswell-Lexington Community Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Croswell-Lexington Community School's major federal programs for the year ended June 30, 2020. Croswell-Lexington Community Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

MANAGEMENT'S RESPONSIBILITY

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

AUDITOR'S RESPONSIBILITY

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

We believe that our audit provides a reasonable basis for our unmodified opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Croswell-Lexington Community Schools' compliance.

OPINION ON EACH MAJOR FEDERAL PROGRAM

In our opinion, Croswell-Lexington Community Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of Croswell-Lexington Community Schools is responsible for establishing and maintaining effective internal control over compliance. In planning and performing our audit, we considered Croswell-Lexington Community Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Croswell-Lexington Community Schools' internal control over compliance.

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

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

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

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CARO, MICHIGAN

October 20, 2020

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued based on financial Statements prepared in accordance with generally accepted accounting principles :

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____Yes X None reported
- Noncompliance material to financial statements noted? _____Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____Yes X No
- Significant deficiency(ies) identified that are not considered To be material weaknesses? _____Yes X None reported

Type of auditor’s report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with Title 2 CFR 200.516(a)? _____Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553, 10.555, & 10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B Programs: \$750,000

Auditee qualified as low-risk auditee? X Yes _____No

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

CROSWELL-LEXINGTON COMMUNITY SCHOOLS
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2020

There were no audit findings for the past two years.



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

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To the Members of the Board
Croswell Lexington Community Schools

We have audited the financial statements of **Croswell Lexington Community Schools** for the year ended **June 30, 2020** and have issued our report thereon dated October 20, 2020. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards, Government Auditing Standards and OMB's Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards (Uniform Guidance)

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit of the financial statements, we considered **Croswell Lexington Community Schools'** internal control over financial reporting to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether **Croswell Lexington Community Schools'** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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. Also in accordance with the Uniform Guidance, we examined, on a test basis, evidence about **Croswell Lexington Community Schools'** compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on **Croswell Lexington Community Schools'** compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on **Croswell Lexington Community Schools'** compliance with those requirements.

Our responsibility for the supplementary information accompanying the financial statement, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you.

To the Members of the Board
Croswell Lexington Community Schools

Significant Audit Findings
Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by **Croswell Lexington Community Schools** are described in Note 1 to the financial statements. During 2020, the District implemented Governmental Accounting Standard No. 84, Fiduciary Activities. The application of existing policies were not changed during 2020. We noted no transactions entered into by **Croswell Lexington Community Schools** during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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 estimate affecting the financial statements were:

Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability.

We evaluated the key factors and assumptions used to develop the balance of the net pension liability and the other postemployment benefit liability in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimate in calculating the liability for employee compensated absences upon their retirement is based on expected payout. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's determination of the estimated life span of capital assets. We evaluated the key factors and assumptions used by management to develop the estimated life span of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significant to financial statement users. We did not identify any sensitive disclosures.

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. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

To the Members of the Board
Croswell Lexington Community Schools

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 20, 2020.

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 **Croswell Lexington Community Schools’** financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as **Croswell Lexington Community Schools’** 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 required supplementary information (RSI) which are required and 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, other knowledge we obtained during the 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 other supplementary information, which accompany the financial statements but are not RSI. With respect to this additional supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing this 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 additional supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the use of the Board of Education, management and federal awarding agencies of **Croswell Lexington Community Schools** and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Anderson, Tuckey, Bernhardt & Doran, P.C.

Anderson, Tuckey, Bernhardt, & Doran, P.C.
Certified Public Accountants
Caro, Michigan

October 20, 2020



ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants

To the Members of the Board
Croswell-Lexington Community Schools
Croswell, Michigan

Thomas B. Doran, CPA David A. Ondrajka, CPA
Valerie J. Hartel, CPA Angela M. Burnette, CPA
Jamie L. Peasley, CPA Chelsie M. Peruski, CPA
.....
Jerry J. Bernhardt

In planning and performing our audit of the financial statements of Croswell-Lexington Community Schools as of and for the year ended June 30, 2020, we considered Croswell-Lexington Community Schools' internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, during our audit we noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated October 20, 2020, on the financial statements of Croswell-Lexington Community Schools. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:

Food Service Net Cash Resources

As a result of the COVID-19 pandemic and flexibilities awarded related to eligibility and food distribution, meal claim revenues were in excess of anticipated amounts. Additionally, as a result of the required school closure, expenditures did not increase at the same rate as revenues, resulting in fund balance being added to in a short period of time. This resulted in the net cash resources to continue to be in excess of the three-month average expenditure requirement included in federal regulations. At this time, neither MDE nor USDA has issued a waiver for this compliance requirement, but a one year waiver has been issued in order to follow the spend-down plan. The noncompliance has not been determined to be material to the federal program or the financial statements. In order to resolve the noncompliance, Districts may reduce lunch prices in a manner that is consistent with the paid lunch equity provisions, improve food quality, or take other action designed to improve the program. We recommend that Districts look at possible enhancements to the program in order to develop a spend-down plan to return to compliance with this requirement.

This information is intended solely for the use of the Board of Education and management of Croswell-Lexington Community Schools and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to be of service to Croswell-Lexington Community Schools and look forward each year to continuing our relationship. The cooperation extended to us by your staff throughout the audit was greatly appreciated. Should you wish to discuss any item included in this letter further, we would be happy to do so.

Very truly yours,

Anderson, Tuckey, Bernhardt & Doran, P.C.

Anderson, Tuckey, Bernhardt, & Doran, P.C.
Certified Public Accountants
Marlette, Michigan

October 20, 2020