

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

*Report on Financial Statements  
(with required supplementary and  
additional supplementary information)  
Year Ended June 30, 2023*

# CROSWELL-LEXINGTON COMMUNITY SCHOOLS

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## INDEPENDENT AUDITOR'S REPORT

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

### **Opinions**

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, 2023, and the related notes to the financial statements, which collectively comprise Croswell-Lexington Community Schools' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Croswell-Lexington Community Schools, as of June 30, 2023, 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.

### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Croswell-Lexington Community Schools and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Change in Accounting Principle**

As discussed in Note 13 to the financial statements, in 2023 the District adopted new accounting guidance, GASB Statement No. 96, *Subscription-based IT Arrangements*. Our opinions are not modified with respect to this matter.

### **Responsibilities of Management for the Financial Statements**

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

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

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Croswell-Lexington Community Schools' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Croswell-Lexington Community Schools' ability to continue as a going concern for a reasonable period of time.

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

## ***Required Supplementary Information***

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

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Croswell-Lexington Community Schools' basic financial statements. The accompanying additional supplementary information, as identified in the table of contents, including the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information, including the schedule of expenditures of federal awards, 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 12, 2023 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 agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Croswell-Lexington Community Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering 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 12, 2023

**CROSWELL-LEXINGTON COMMUNITY SCHOOLS**  
MANAGEMENT DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023

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, 2023. 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, 2023, the combined fund balance in governmental funds totaled over 11 million and increased about \$1,420,000 from a year ago. The fund balances in the General Fund and Non-Bond Capital Projects Fund increased \$466,000 and \$812,000, respectively. Fund balance in the Combined Debt Service Fund increased approximately \$279,000 while Other Non-Major Governmental Funds decreased approximately \$137,000, respectively. Governmental fund revenues totaled \$30,939,588 and expenditures totaled \$29,589,779.

Approximately 60% of total governmental fund revenues come from the State per student foundation allowance. The foundation allowance in 2022-2023 totaled \$9,150 per student. The foundation allowance in 2021-2022 was \$8,700. The District's 2022-2023 blended enrollment decreased to 1,860, down from 1,938 in 2021-2022. Total revenues from State sources increased approximately \$2,139,000. Revenues from Federal sources increased approximately \$139,000. Property taxes for operations increased approximately \$197,000 to \$4.15 million, based on a levy of 18.0000 mills.

The millage rate for debt retirement is 2.4000 mills for 2022-2023. Property tax collections for debt retirement increased by \$70,000 to approximately \$1,461,000. Principal and interest payments on debt increased \$28,000 from \$1,609,000 in 2021-2022 to \$1,637,000 in 2022-2023.

The millage rate for sinking fund is 0.8956 mills in 2022-2023. Property tax collections for the sinking fund increased from \$521,000 in 2021-2022, to approximately \$556,000 in 2022-2023, respectively.

Net other financing sources increased approximately \$70,000 for the year ended June 30, 2023.

**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  
Fiduciary Fund Statement  
Notes to Financial Statements

Required Supplementary Information

Budgetary Comparison Schedule – General Fund  
Pension & OPEB Schedules

Additional Supplementary Information

Combining Statements for Nonmajor Governmental Fund Types  
Other Schedules

**CROSWELL-LEXINGTON COMMUNITY SCHOOLS**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2023**

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, and Combined Debt Service Fund, with all the other funds presented in one column as Other Non-major 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.

The School District's net position totaled (\$13,691,263) and (\$17,138,986) at June 30, 2023 and 2022 as restated, respectively. Of these amounts, \$4,005,519 and \$3,457,353 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, 2023 and 2022:

Assets	<u>2023</u>	<u>2022 *</u>
Current assets	\$ 14,541,319	\$ 12,691,596
Capital assets, net of depreciation/amortization	<u>21,736,950</u>	<u>21,564,207</u>
Total assets	<u>36,278,269</u>	<u>34,255,803</u>
Deferred Outflows of Resources		
Deferred outflows	<u>14,475,037</u>	<u>7,470,138</u>
Liabilities		
Current liabilities	3,477,162	4,133,801
Non-current liabilities	<u>52,881,430</u>	<u>38,659,370</u>
Total liabilities	<u>56,358,592</u>	<u>42,793,171</u>
Deferred Inflows of Resources		
Deferred inflows	<u>8,085,977</u>	<u>16,159,015</u>
Net Position		
Net investment in capital assets	10,151,623	8,810,671
Restricted	4,005,519	3,457,353
Unrestricted	<u>(27,848,405)</u>	<u>(29,494,269)</u>
Total net position	<u>\$ (13,691,263)</u>	<u>\$ (17,226,245)</u>

\*The 2022 figures have not been updated for the adoption of GASB 96.

## CROSWELL-LEXINGTON COMMUNITY SCHOOLS

### MANAGEMENT DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2023

Total net position increased approximately \$3,447,723 in 2022-2023. Components of this change are as follows:

➤ Revenues and Expenditures

Total revenues increased approximately \$2,279,000 while total expenditures increased approximately \$2,963,000 for the year ended June 30, 2023. Revenues from local property taxes and other local sources increased approximately \$699,000. State sources increased \$2,139,000 while federal sources increased approximately \$139,000. Instructional expenditures increased \$1,857,000 and supporting services expenditures increased \$621,000, respectively. Community Services transactions increased \$2,000 from the prior year. Food service expenditures increased \$310,000 while expenditures for capital projects decreased \$28,000. Debt service expenditures increased approximately \$38,000.

➤ Capital acquisitions

Capital acquisitions for the year totaled \$1,236,384. Combining current year depreciation/amortization with the effect of disposals, net capital assets increased approximately \$85,000.

➤ Depreciation/amortization expense

The provisions of GASB 34 require districts to maintain a record of annual depreciation/amortization expense and accumulated depreciation/amortization. An increase in accumulated depreciation/amortization is a reduction in net position. Depreciation/amortization expense is recorded using a straight-line method over the estimated useful lives, if any, of the assets. In accordance with generally accepted accounting principles, depreciation/amortization expense is recorded based on the original cost of the asset less an estimated salvage value, if any. For the year ended June 30, 2023, the net increase in accumulated depreciation/amortization was \$1,150,900.

➤ 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 \$1,263,220 of long-term debt, while adding \$49,472 in new debt for a net decrease of \$1,213,748 in the fiscal year ended June 30, 2023.

➤ 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 decreased accumulated unpaid benefits in the amount of \$31,538.

**CROSWELL-LEXINGTON COMMUNITY SCHOOLS**

MANAGEMENT DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2023

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, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022*</u>
General revenue		
Property taxes levied for general operations	\$ 4,147,282	\$ 3,949,428
State of Michigan aid, unrestricted	13,154,934	12,756,226
Property Taxes levied for debt service	1,461,725	1,391,164
Property Taxes levied for sinking fund	556,336	520,964
Other local	731,100	550,017
Total general revenue	<u>20,051,377</u>	<u>19,167,799</u>
Program revenue		
Charges for services – local	270,431	36,927
Operating grants – federal and state	<u>9,635,710</u>	<u>8,473,510</u>
Total revenues	<u>29,957,518</u>	<u>27,678,236</u>
Expenses		
Instruction	14,250,324	12,393,159
Support services	8,208,227	7,586,257
Community services	136,181	134,140
Food services	1,674,582	1,364,493
Capital outlay	281,927	310,173
Interest on long-term debt	528,409	536,581
Student/school activities	279,245	249,215
Depreciation/amortization	<u>1,150,900</u>	<u>971,408</u>
Total expenses	<u>26,509,795</u>	<u>23,545,426</u>
Change in net position	3,447,723	4,132,810
Net position – July 1 as restated	<u>(17,138,986)</u>	<u>(21,359,055)</u>
Net position – June 30	<u>\$ (13,691,263)</u>	<u>\$ (17,226,245)</u>

\*The 2022 figures have not been updated for the adoption of GASB 96.

**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, 2023, 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.

***General Fund***

In the General Fund, the actual revenue was \$27,070,752. This is above the original budget estimate of \$24,948,082 and above the final budgeted amount of \$26,921,273, a variance of 0.5%.

The actual expenditures of the general fund were \$25,650,358. This is above the original budget estimate of \$22,604,972 and below the final budgeted amount of \$24,160,091, a variance of 6.2%.

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.

**CROSWELL-LEXINGTON COMMUNITY SCHOOLS**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2023**

Total General Fund revenues, other financing sources, and special items approximated \$27.18 million for the year ended June 30, 2023, and \$24.03 million for the year ended June 30, 2022. Total expenditures and other financing uses approximated \$26.71 million and \$23.82 million, respectively, for the years ended June 30, 2023 and 2022. The fund balance was \$3.97 million at June 30, 2023, and \$3.50 million at June 30, 2022.

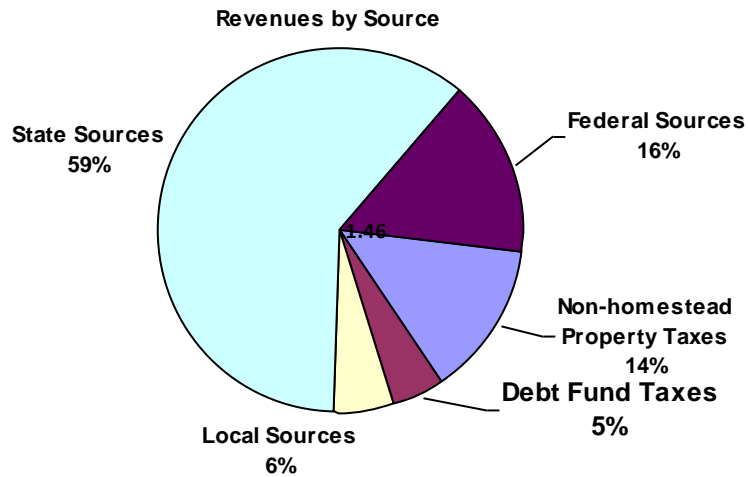
**Governmental Fund Expenditures**

The following chart illustrates the General Fund comprised 86.51% of all the expenditures within the governmental funds of the School District. As of June 30, 2023 expenditures totaled \$29.59 million for all District programs. The ending fund balance for all funds was equal to approximately \$11 million.

	June 30, 2023 <u>(In millions)</u>	<u>% of Total</u>
General Fund	\$25.65	86.51%
Debt Fund	1.65	5.56%
Other Non-major Funds	<u>2.29</u>	<u>7.93%</u>
Total	<u>\$29.59</u>	<u>100.00%</u>

**Total Revenues**

Revenues for all governmental funds approximated \$30.9 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 2022-2023, by \$450 to \$9,150. Blended student enrollment decreased from 1,938 in 2021-2022 to 1,860 in 2022-2023.

***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 2022-2023 Non-Homestead property tax levy totaled approximately \$4.1 million.

**CROSWELL-LEXINGTON COMMUNITY SCHOOLS**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2023**

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 \$1.4 million.

The District levies 0.8956 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 \$556,000.

**Enrollment**

The enrollment of Croswell-Lexington Community Schools totaled 1,860 students in 2022-2023 and 1,938 in 2021-2022. This resulted in a decrease of 89 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, 2023, the per-student allowance was \$9,150 compared to \$8,700 for the year ended June 30, 2022.

**Capital Asset and Debt Administration**

***Capital Assets***

At June 30, 2023, the School District had \$38.9 million invested in land and buildings, furniture and equipment, vehicles and buses, and construction in progress. Of this amount, \$17.2 million has been depreciated. Net book value totals \$21.7 million. Total additions for the year were \$1,236,384. 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/AMORTIZATION)  
(IN MILLIONS)

	<u>Governmental Activities</u>
Land and Improvements	\$ 2.2
Buildings and Additions	16.7
Technology & Computers	0.2
Furniture and Equipment	1.9
Right to use assets	0.2
Vehicles & Buses	<u>0.5</u>
Total	<u>\$ 21.7</u>

***Debt***

**Outstanding Debt at Year-End**

At the end of fiscal year 2023, the School District's outstanding bond, capital leases, and installment contract obligations totaled approximately \$11.6 million compared to \$12.8 million at the end of the previous year. The outstanding principal amounts at June 30, 2023 are as follows:

Installment Contracts	61,149
Refunding Bonds	6,850,000
2010 Building and Site Bonds	4,000,000

**CROSWELL-LEXINGTON COMMUNITY SCHOOLS**  
MANAGEMENT DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2023

State statutes limit the amount of debt schools can issue. The School District's outstanding voted bond debt of \$11.6 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.

**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. The blended count in a normal year is a factor of 90% of the October 2023 count and 10% of the February 2023 count. For the 2023-2024 budget, enrollment was estimated to decrease 30 students and the foundation allowance was budgeted at \$9,600 per student. The budgeted blended count of 1,845 is now projected to decrease to approximately 1,815.

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 \$4.1 million in operating revenue from local property taxes in the 2023-2024 fiscal year.

The 2023-2024 General Fund budget as originally adopted includes an excess of expenditures over revenues of \$233,905 which will decrease the District's fund equity. When the District's General Fund budget is amended, the change in fund equity could change to reflect an increase in fund equity. The Board of Education and Administration have maintained expenditures for the 2023-2024 fiscal year 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 2023-2024 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, 2023**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash & cash equivalents	\$ 5,494,504
Investments	5,161,308
Receivables:	
Accounts receivable	10,405
Intergovernmental receivable	3,780,178
Prepaid expenses	80,900
Inventories	14,024
Capital assets not being depreciated/amortized	1,288,885
Capital assets, net of accumulated depreciation/amortization	<u>20,448,065</u>
<b>TOTAL ASSETS</b>	<b><u>36,278,269</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charge on refunding, net of amortization	61,691
Related to pensions	11,589,368
Related to other postemployment benefits	<u>2,823,978</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b><u>14,475,037</u></b>
<b>LIABILITIES</b>	
Accounts payable	113,666
Accrued salaries and related items	1,830,996
Accrued retirement	535,656
Due to other governmental units	489,611
Unearned revenue	415,433
Accrued interest	91,800
Noncurrent liabilities:	
Due within one year	1,141,110
Due in more than one year	10,724,723
Net OPEB liability	2,119,121
Net pension liability	<u>38,896,476</u>
<b>TOTAL LIABILITIES</b>	<b><u>56,358,592</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to pensions	733,260
Related to other postemployment benefits	4,661,069
Related to state aid funding for pension	<u>2,691,648</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b><u>8,085,977</u></b>
<b>NET POSITION</b>	
Net investment in capital assets	10,151,623
Restricted for debt service	3,416,246
Restricted for capital projects (sinking fund)	589,273
Unrestricted	<u>(27,848,405)</u>
<b>TOTAL NET POSITION</b>	<b><u><u>\$ (13,691,263)</u></u></b>

See notes to financial statements.

**CROSWELL-LEXINGTON COMMUNITY SCHOOLS**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2023**

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	\$ 14,250,324	\$ -	\$ 4,848,641	\$ (9,401,683)
Support services	8,208,227	-	3,232,427	(4,975,800)
Community services	136,181	2,467	-	(133,714)
Food services	1,674,582	267,964	1,006,004	(400,614)
Capital projects	281,927	-	-	(281,927)
Interest on long-term debt	528,409	-	190,726	(337,683)
Student/school activities	279,245	-	357,912	78,667
Unallocated depreciation/amortization	1,150,900	-	-	(1,150,900)
<b>Total governmental activities</b>	<b>\$ 26,509,795</b>	<b>\$ 270,431</b>	<b>\$ 9,635,710</b>	<b>(16,603,654)</b>
General revenues:				
Property taxes, levied for general purposes				4,147,282
Property taxes, levied for debt service				1,461,725
Property taxes, levied for sinking fund				556,336
State sources - unrestricted				13,154,934
Investment revenue				140,765
Sale of assets				16,290
Miscellaneous				574,045
<b>Total general revenue</b>				<b>20,051,377</b>
Change in net position				3,447,723
Net position, beginning of year, as restated				(17,138,986)
Net position, end of year				<b>\$ (13,691,263)</b>

See notes to financial statements.

**CROSWELL-LEXINGTON COMMUNITY SCHOOLS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2023**

	<b>GENERAL FUND</b>	<b>NON-BOND CAPITAL PROJECTS</b>	<b>COMBINED DEBT SERVICE FUND</b>	<b>TOTAL OTHER NONMAJOR GOVERNMENTAL FUNDS</b>	<b>TOTAL GOVERNMENTAL FUNDS</b>
<b><u>ASSETS:</u></b>					
ASSETS:					
Cash & cash equivalents	\$ 172,718	\$ 779,660	\$ 3,395,152	\$ 1,146,974	\$ 5,494,504
Investments	3,312,910	1,848,398	-	-	5,161,308
Accounts receivable	10,405	-	-	-	10,405
Due from other funds	26,312	-	177,179	-	203,491
Intergovernmental receivable	3,772,336	-	-	7,842	3,780,178
Prepaid expenditures	20,900	-	-	60,000	80,900
Inventory	-	-	-	14,024	14,024
	<b>\$ 7,315,581</b>	<b>\$ 2,628,058</b>	<b>\$ 3,572,331</b>	<b>\$ 1,228,840</b>	<b>\$ 14,744,810</b>
<b>TOTAL ASSETS</b>	<b>\$ 7,315,581</b>	<b>\$ 2,628,058</b>	<b>\$ 3,572,331</b>	<b>\$ 1,228,840</b>	<b>\$ 14,744,810</b>
<b><u>LIABILITIES AND FUND BALANCES:</u></b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 98,308	\$ -	\$ -	\$ 15,358	\$ 113,666
Accrued salaries and related items	1,827,254	-	-	3,742	1,830,996
Accrued retirement	535,656	-	-	-	535,656
Due to other funds	-	-	64,285	139,206	203,491
Due to other governmental units	484,078	-	-	5,533	489,611
Unearned revenue	402,025	-	-	13,408	415,433
	3,347,321	-	64,285	177,247	3,588,853
<b>TOTAL LIABILITIES</b>	<b>3,347,321</b>	<b>-</b>	<b>64,285</b>	<b>177,247</b>	<b>3,588,853</b>
<b>FUND BALANCES:</b>					
Nonspendable:					
Inventory	-	-	-	14,024	14,024
Prepays	20,900	-	-	60,000	80,900
Restricted for:					
Debt retirement	-	-	3,508,046	-	3,508,046
Capital projects (sinking fund)	-	-	-	589,273	589,273
Food service	-	-	-	85,843	85,843
Committed for:					
Capital projects	-	2,628,058	-	-	2,628,058
Student/school activities	-	-	-	302,453	302,453
Assigned for:					
Subsequent year expenditures	233,905	-	-	-	233,905
Compensated absences	218,815	-	-	-	218,815
Unassigned	3,494,640	-	-	-	3,494,640
	3,968,260	2,628,058	3,508,046	1,051,593	11,155,957
<b>TOTAL FUND BALANCES</b>	<b>3,968,260</b>	<b>2,628,058</b>	<b>3,508,046</b>	<b>1,051,593</b>	<b>11,155,957</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 7,315,581</b>	<b>\$ 2,628,058</b>	<b>\$ 3,572,331</b>	<b>\$ 1,228,840</b>	<b>\$ 14,744,810</b>

See notes to financial statements.

**CROSWELL-LEXINGTON COMMUNITY SCHOOLS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2023**

Total Fund Balances - Governmental Funds	\$ 11,155,957
Amounts reported for governmental activities in the statement of net position are different because:	
Deferred outflows of resources - charges on refunding, net of amortization	61,691
Deferred outflows of resources - related to pensions	11,589,368
Deferred outflows of resources - related to other postemployment benefits	2,823,978
Deferred inflows of resources - related to pensions	(733,260)
Deferred inflows of resources - related to other postemployment benefits	(4,661,069)
Deferred inflows of resources - related to state aid funding for pensions	(2,691,648)
Capital assets used in governmental activities are not financial resources and are not reported in the funds	
Cost of capital assets	38,991,207
Accumulated depreciation/amortization	(17,254,257)
Long term liabilities are not due and payable in the current period and are not reported in the funds	
Long-term debt obligations	(11,647,018)
Compensated absences	(218,815)
Accrued interest is not included as a liability in governmental funds; it is recorded when paid	(91,800)
Net other postemployment benefit liability	(2,119,121)
Net pension liability	(38,896,476)
	(13,691,263)
Net Position of Governmental Activities	\$ (13,691,263)

See notes to financial statements.

**CROSWELL-LEXINGTON COMMUNITY SCHOOLS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2023**

	<u>GENERAL FUND</u>	<u>NON-BOND CAPITAL PROJECTS</u>	<u>COMBINED DEBT SERVICE FUND</u>	<u>TOTAL OTHER NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>REVENUES:</b>					
Local sources					
Property taxes	\$ 4,147,282	\$ -	\$ 1,461,725	\$ 556,336	\$ 6,165,343
Tuition	2,467	-	-	-	2,467
Investment earnings	115,074	12,326	11,251	2,114	140,765
Food sales	-	-	-	267,964	267,964
Student/school activity income	-	-	-	357,912	357,912
Other	234,241	-	-	2,478	236,719
Total local sources	<u>4,499,064</u>	<u>12,326</u>	<u>1,472,976</u>	<u>1,186,804</u>	<u>7,171,170</u>
State sources	18,683,041	-	6,275	46,434	18,735,750
Federal sources	3,605,910	-	184,451	959,570	4,749,931
Other transactions					
Transfer from other districts	271,514	-	-	-	271,514
Other	11,223	-	-	-	11,223
<b>TOTAL REVENUES</b>	<u>27,070,752</u>	<u>12,326</u>	<u>1,663,702</u>	<u>2,192,808</u>	<u>30,939,588</u>
<b>EXPENDITURES:</b>					
Instruction	15,820,798	-	-	-	15,820,798
Supporting services	9,339,303	-	-	-	9,339,303
Community services	136,181	-	-	-	136,181
Other transactions	282,502	-	-	-	282,502
Food services	-	-	-	1,729,189	1,729,189
Student/school activities	-	-	-	279,245	279,245
Capital projects	-	288	-	281,639	281,927
Debt service:					
Principal retirement	70,510	-	1,030,000	-	1,100,510
Interest	1,064	-	607,430	-	608,494
Other	-	-	11,630	-	11,630
<b>TOTAL EXPENDITURES</b>	<u>25,650,358</u>	<u>288</u>	<u>1,649,060</u>	<u>2,290,073</u>	<u>29,589,779</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>1,420,394</u>	<u>12,038</u>	<u>14,642</u>	<u>(97,265)</u>	<u>1,349,809</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfer from other funds	40,000	800,000	265,140	-	1,105,140
Transfer to other funds	(1,065,140)	-	-	(40,000)	(1,105,140)
Reimbursement of insurance claims	5,117	-	-	-	5,117
Sale of fixed assets	16,290	-	-	-	16,290
Proceeds from SBITA	49,472	-	-	-	49,472
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(954,261)</u>	<u>800,000</u>	<u>265,140</u>	<u>(40,000)</u>	<u>70,879</u>
<b>NET CHANGES IN FUND BALANCES</b>	466,133	812,038	279,782	(137,265)	1,420,688
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>3,502,127</u>	<u>1,816,020</u>	<u>3,228,264</u>	<u>1,188,858</u>	<u>9,735,269</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 3,968,260</u>	<u>\$ 2,628,058</u>	<u>\$ 3,508,046</u>	<u>\$ 1,051,593</u>	<u>\$ 11,155,957</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, 2023**

Total net changes in fund balances - governmental funds	\$ 1,420,688
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 estimated useful lives as depreciation/amortization:	
Depreciation/amortization expense	(1,150,900)
Capital outlay	1,236,384
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	66,344
Accrued interest payable at the end of the year	(91,800)
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 of 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:	
Proceeds from subscription-based IT arrangements	(49,472)
Payments on debt	1,100,510
Amortization on bond premium	137,663
Amortization on bond discount	(6,491)
Amortization on deferred charge	(14,001)
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	250,353
Accrued compensated absences end of the year	(218,815)
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	134,181
Other postemployment benefits related items	1,686,028
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:	
Change in state aid funding for pension	<u>(1,052,949)</u>
Change in net position of governmental activities	<u><u>\$ 3,447,723</u></u>

See notes to financial statements.

**CROSWELL-LEXINGTON COMMUNITY SCHOOLS**  
**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**JUNE 30, 2023**

	<b>CUSTODIAL FUND</b>
CURRENT ASSETS	
Cash and cash equivalents	\$ 51,681
<b>TOTAL ASSETS</b>	<b>\$ 51,681</b>
NET POSITION	
Restricted for scholarships	\$ 51,681
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 51,681</b>

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**YEAR ENDED JUNE 30, 2023**

	<b>CUSTODIAL FUND</b>
Additions:	
Investment earnings	\$ 581
Deductions:	
Scholarships and expenses	7,500
Change in Net Position	(6,919)
Net Position - July 1	58,600
Net Position - June 30	\$ 51,681

See notes to financial statements.

**CROSWELL-LEXINGTON COMMUNITY SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2023**

**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 *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.

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 relating to sinking funds.

**CROSWELL-LEXINGTON COMMUNITY SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2023**

**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, 2023**

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 funds. 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, 2023. The District does not consider these amendments to be significant.

**CROSWELL-LEXINGTON COMMUNITY SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2023**

**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.

*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, right to use – leased equipment, subscription based IT arrangements, 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.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets.

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Land and construction in progress, if any, are not depreciated. Right to use assets of the District are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives. The capital assets 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
Right to use – leased equipment	3 years
Furniture and equipment	5 – 20 years
Transportation equipment	5 – 10 years
Right to use – Subscription-based IT arrangements	2 – 3 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.

*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.

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*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.

*Leases and Subscription-Based IT Arrangements (SBITA)*

Lessee: The District is a lessee for a noncancelable lease/subscription of equipment. The District recognizes a lease/SBITA liability and an intangible right-to-use lease/SBITA asset in the government-wide financial statements.

At the commencement of a lease/subscription, the District initially measures the lease/SBITA liability at the present value of payments expected to be made during the lease/SBITA term. Subsequently, the lease/SBITA liability is reduced by the principal portion of lease/SBITA payments made. The lease/SBITA asset is initially measured as the initial amount of the lease/SBITA liability, adjusted for lease/SBITA payments made at or before the lease/SBITA commencement date, plus certain initial direct costs. Subsequently, the lease/SBITA asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases/SBITA include how the District determines (1) the discount rate it uses to discount the expected lease/SBITA payments to present value, (2) lease/SBITA term, and (3) lease/SBITA payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases/SBITA.
- The lease/SBITA term includes the noncancelable period of the lease. Lease/SBITA payments included in the measurement of the lease/SBITA liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its lease/SBITA and will remeasure the lease/SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the lease/SBITA liability.

Lease/SBITA assets are reported with other capital assets and lease/SBITA liabilities are reported with long-term obligations on the statement of net position.

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**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, 2023, 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	0.8956

*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.

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**NOTE 2 - DEPOSITS AND INVESTMENTS:**

As of June 30, 2023, 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, 2023, \$6,798,858 of the District's bank balance of \$7,298,858 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 \$5,494,504.

**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.

<b>Investment Type</b>	<b>Fair value</b>	<b>Weighted Average Maturity (Years)</b>
MILAF External Investment pool - CMC	\$ 2,913	N/A
MILAF External Investment pool - MAX	5,158,395	N/A
Total fair value	\$ 5,161,308	
Portfolio weighted average maturity		N/A

1 day maturity equals approximately .0027 years.

**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 quality.

<b>Investment Type</b>	<b>Fair value</b>	<b>Rating</b>	<b>Rating Agency</b>
MILAF External Investment pool - CMC	\$ 2,913	AAAm	Standard & Poor's
MILAF External Investment pool - MAX	5,158,395	AAAm	Standard & Poor's
Total fair value	\$ 5,161,308		

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

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**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). 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 asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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.

<b>Investment Type</b>	<b>Amortized Cost</b>
MILAF External Investment pool - CMC	\$ 2,913
MILAF External Investment pool - MAX	5,158,395
Total	\$ 5,161,308

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.

The following summarizes the categorization of these amounts as of June 30, 2023:

	Primary Government	Custodial Fund	Total
Cash and cash equivalents	\$ 5,494,504	\$ 51,681	\$ 5,546,185
Investments	5,161,308		5,161,308
	\$ 10,655,812	\$ 51,681	\$ 10,707,493

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**NOTE 3 – INTERGOVERNMENTAL RECEIVABLES:**

Intergovernmental receivables at June 30, 2023 consist of the following:

Governmental Units:	
State aid	\$ 3,279,786
Federal revenue	500,392
	<u>3,780,178</u>
	<u>\$ 3,780,178</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:

	<b>As restated BALANCE July 1, 2022</b>	<b>ADDITIONS</b>	<b>DELETIONS</b>	<b>BALANCE June 30, 2023</b>
Capital assets not being depreciated/amortized:				
Land	\$ 1,145,786	\$ -	\$ -	\$ 1,145,786
Construction in process	796,200	143,099	(796,200)	143,099
Subtotal	<u>1,941,986</u>	<u>143,099</u>	<u>(796,200)</u>	<u>1,288,885</u>
Capital assets:				
Land improvements	2,384,527	146,406	-	2,530,933
Building and improvements	28,089,810	879,277	-	28,969,087
Technology and computers	1,086,897	162,334	-	1,249,231
Right to use - leased equipment	34,382	-	-	34,382
Furniture and equipment	2,247,799	570,299	-	2,818,098
Transportation equipment	2,024,013	-	(141,850)	1,882,163
Right to use - Subscription-based IT arrangements	87,259	131,169	-	218,428
Subtotal	<u>35,954,687</u>	<u>1,889,485</u>	<u>(141,850)</u>	<u>37,702,322</u>
Accumulated depreciation/amortization:				
Land improvements	(1,460,324)	(111,710)	-	(1,572,034)
Building and improvements	(11,606,666)	(607,163)	-	(12,213,829)
Technology and computers	(1,041,855)	(39,130)	-	(1,080,985)
Right to use - leased equipment	(11,461)	(11,461)	-	(22,922)
Furniture and equipment	(812,033)	(141,307)	-	(953,340)
Transportation equipment	(1,312,868)	(195,125)	141,850	(1,366,143)
Right to use - Subscription-based IT arrangements	-	(45,004)	-	(45,004)
Subtotal	<u>(16,245,207)</u>	<u>(1,150,900)</u>	<u>141,850</u>	<u>(17,254,257)</u>
Net capital assets being depreciated/amortized	19,709,480	738,585	-	20,448,065
Net governmental capital assets	<u>\$ 21,651,466</u>	<u>\$ 881,684</u>	<u>\$ (796,200)</u>	<u>\$ 21,736,950</u>

Depreciation/amortization for the fiscal year ended June 30, 2023 amounted to \$1,150,900. The District determined that it was impractical to allocate depreciation/amortization to the various governmental activities as the assets serve multiple functions.

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**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, 2023:

	<b>General Obligation Bonds (including premiums and discounts)</b>	<b>Notes from direct borrowings and direct placements</b>	<b>Compensated Absences</b>	<b>Total</b>
Balance - July 1, 2022	\$ 12,747,041	\$ 82,187	\$ 250,353	\$ 13,079,581
Additions	-	49,472	-	49,472
Deletions	(1,161,172)	(70,510)	(31,538)	(1,263,220)
Balance June 30, 2023	11,585,869	61,149	218,815	11,865,833
Due Within One Year	(1,085,000)	(43,810)	(12,300)	(1,141,110)
Due In More Than One Year	<u>\$ 10,500,869</u>	<u>\$ 17,339</u>	<u>\$ 206,515</u>	<u>\$ 10,724,723</u>

Long-term obligations at June 30, 2023 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%.	\$ 320,000
2010 Building and Site Bonds due in annual installments of \$275,000 to \$3,500,000 through May 1, 2027 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%.	6,530,000
Plus bond premiums	759,811
Less bond discounts	(23,942)
Total general obligation bonds	<u>11,585,869</u>

**Notes from direct borrowings and direct placements:**

SBITA's, due in annual installments ranging from \$16,220 to \$17,883 through June 30, 2025, with an imputed interest rate of 3.14%.	49,472
Office equipment lease due in monthly installments of \$984 through July 2024, with interest being imputed at 2.060%.	<u>11,677</u>
Total direct borrowings and direct placements	<u>61,149</u>
Total general obligation bonds and notes from direct borrowings and direct placements	<u>11,647,018</u>
Compensated absences	<u>218,815</u>
Total general long-term obligations	<u>\$ 11,865,833</u>

**CROSWELL-LEXINGTON COMMUNITY SCHOOLS**  
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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, 2023, \$7,240,000 of bonds outstanding is considered defeased.

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of \$61,149 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 obligations outstanding, as of June 30, 2023, are as follows:

<u>YEAR ENDED</u> <u>JUNE 30,</u>	<u>GENERAL OBLIGATION BONDS</u>		<u>NOTES FROM DIRECT BORROWINGS AND DIRECT PLACEMENTS</u>		<u>COMPENSATED</u>	<u>TOTAL</u>
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>ABSENCES</u>	
2024	\$ 1,085,000	\$ 556,980	\$ 43,811	\$ 1,248	\$ -	\$ 1,687,039
2025	1,140,000	503,780	17,338	544	-	1,661,662
2026	1,695,000	447,620	-	-	-	2,142,620
2027	4,645,000	362,250	-	-	-	5,007,250
2028	1,145,000	114,250	-	-	-	1,259,250
2029	1,140,000	57,000	-	-	-	1,197,000
	<u>10,850,000</u>	<u>2,041,880</u>	<u>61,149</u>	<u>1,792</u>	<u>-</u>	<u>12,954,821</u>
Bond premiums	759,811	-	-	-	-	759,811
Bond discounts	(23,942)	-	-	-	-	(23,942)
Compensated absences	-	-	-	-	218,815	218,815
<b>TOTAL</b>	<u>\$ 11,585,869</u>	<u>\$ 2,041,880</u>	<u>\$ 61,149</u>	<u>\$ 1,792</u>	<u>\$ 218,815</u>	<u>\$ 13,909,505</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 54 for complete schedules showing these credits.

A fund balance amount of \$3,508,046 is available in the debt service funds to service the general obligation debt.

Interest expense (all funds) for the year ended June 30, 2023 was \$608,494.

**CROSWELL-LEXINGTON COMMUNITY SCHOOLS**  
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**NOTE 6 - INTERFUND RECEIVABLES AND PAYABLES:**

Interfund receivable and payable balances at June 30, 2023 are as follows:

Receivable Fund		Payable Fund	
General fund	\$ 26,312	Debt funds	\$ 64,285
Debt funds	177,179	Nonmajor funds	139,206
Total	\$ 203,491		\$ 203,491

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 POSTEMPLOYMENT 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 Annual Comprehensive 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 the 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 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%.

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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.

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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 – A Basic plan member may retire at 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.

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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, 2022 were determined as of the September 30, 2019 actuarial valuations. The pension and OPEB benefits, the unfunded (overfunded) actuarial accrued liabilities as of September 30, 2019 are amortized over a 17-year period beginning October 1, 2021 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, 2021 - September 30, 2022	13.73% - 20.14%	7.23% - 8.09%
October 1, 2022 - September 30, 2023	13.75% - 20.16%	7.21% - 8.07%

The District's pension contributions for the year ended June 30, 2023 were equal to the required contribution total. Total pension contributions were approximately \$4,706,000 with \$4,630,000 specifically for the Defined Benefit Plan and approximately \$76,000 was contributed to fund the Defined Contribution Plan.

The District's OPEB contributions for the year ended June 30, 2023 were equal to the required contribution total. Total OPEB contributions were approximately \$818,000. Of the total OPEB contributions, approximately \$787,000 was contributed to fund the Defined Benefit Plan and approximately \$31,000 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, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation date of September 30, 2021 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.

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<u>MPSERS (Plan) Non-university employers:</u>	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Total Pension Liability	\$ 95,876,795,620	\$ 86,392,473,395
Plan Fiduciary Net Position	\$ 58,268,076,344	\$ 62,717,060,920
Net Pension Liability	\$ 37,608,719,276	\$ 23,675,412,475
Proportionate Share	0.10342%	0.10597%
Net Pension Liability for the District	\$ 38,896,476	\$ 25,089,692

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

For the year ended June 30, 2023, the District recognized pension expense of \$4,492,838.

At June 30, 2023, the Reporting Unit reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 6,683,808	
Net difference between projected and actual earnings on pension plan investments	91,212	
Difference between expected and actual experience	389,101	\$ 86,968
Changes in proportionate and differences between employer contributions and proportionate share of contributions	4,983	646,292
Reporting Unit contributions subsequent to the measurement date	4,420,264	
Total	<u>\$ 11,589,368</u>	<u>\$ 733,260</u>

\$4,420,264 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>
2023	\$ 1,825,090
2024	1,328,824
2025	1,115,337
2026	2,166,593

**CROSWELL-LEXINGTON COMMUNITY SCHOOLS**  
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**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, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation date of September 30, 2021 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>MPERS (Plan) Non-university employers</u>	<u>September 30, 2022</u>	<u>September 30, 2021</u>
Total Other Postemployment Benefit Liability	\$ 12,522,713,324	\$ 12,046,393,511
Plan Fiduciary Net Position	\$ 10,404,650,683	\$ 10,520,015,621
Net Other Postemployment Benefit Liability	\$ 2,118,062,641	\$ 1,526,377,890
Proportionate Share	0.10005%	0.10490%
Net Other Postemployment Benefit Liability for the District	\$ 2,119,121	\$ 1,601,227

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

For the year ended June 30, 2023, the District recognized OPEB benefit of \$906,917.

At June 30, 2023, 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	\$ 1,888,840	\$ 153,800
Net difference between projected and actual earnings on OPEB plan investments	165,626	
Difference between expected and actual experience		4,150,545
Changes in proportion and differences between employer contributions and proportionate share of contributions	68,599	356,724
Reporting Unit contributions subsequent to the measurement date	700,913	
Total	<u>\$ 2,823,978</u>	<u>\$ 4,661,069</u>

\$700,913, 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.

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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>
2023	\$ (877,737)
2024	(774,150)
2025	(679,062)
2026	(110,189)
2027	(86,781)
2028	(10,085)

**Actuarial Assumptions**

Investment rate of return for Pension – 6.00% a year, compounded annually net of investment and administrative expenses for the MIP, Basic, Pension Plus and Pension Plus 2 groups.

Investment rate of return for OPEB – 6.00% a year, compounded annually net of investment and administrative expenses.

Salary increases - The rate of pay increase used for individual members is 2.75% - 11.55%, including wage inflation at 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, 2021. 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 determination of the total pension and OPEB liability beginning with the September 30, 2018 valuation.

The long-term expected rate of return on pension and other postemployment benefit plan investments - The pension rate was 6.00% (MIP, Basic, Pension Plus and Pension Plus 2 Plan), and the other postemployment benefit rate was 6.00%, 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 – Pre 65, 7.75% for year one and graded to 3.5% in year fifteen. Post 65, 5.25% for year one and graded to 3.5% in year fifteen.

**CROSWELL-LEXINGTON COMMUNITY SCHOOLS**  
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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, 2022 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	25.0%	5.1%
International Equity Pools	15.0%	6.7%
Private Equity Pools	16.0%	8.7%
Real Estate and Infrastructure Pools	10.0%	5.3%
Fixed Income Pools	13.0%	-0.2%
Absolute Return Pools	9.0%	2.7%
Real Return/Opportunistic Pools	10.0%	5.8%
Short Term Investment Pools	2.0%	-0.5%
<b>Total</b>	<u>100.0%</u>	

\*Long term rate of return is net of administrative expenses and 2.2% inflation.

Rate of Return – For fiscal year ended September 30, 2022, the annual money-weighted rate of return on pension and OPEB plan investments, net of pension and OPEB plan investment expense, was (4.18)% and (4.99)% 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 6.00% was used to measure the total pension liability. This discount rate was based on the long-term rate of return on pension plan investments of 6.00%. 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 6.00% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.00%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that 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**  
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**YEAR ENDED JUNE 30, 2023**

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 6.00%, 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	\$ 51,328,898	\$ 38,896,476	\$ 28,651,600

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 6.00%, 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	\$ 3,554,621	\$ 2,119,121	\$ 910,251

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, 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% Decrease	Current	1% Increase
		Trend Rates	
Reporting Unit's proportionate share of the net other postemployment benefit liability	\$ 887,386	\$ 2,119,121	\$ 3,501,767

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 2022 Annual Comprehensive 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 from state revenue Section 147c restricted to fund the MPERS Unfunded Actuarial Accrued Liability (UAAL).

**CROSWELL-LEXINGTON COMMUNITY SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2023**

**NOTE 8 – TRANSFERS:**

Interfund transfer balances at June 30, 2023 are as follows:

<u>Transfer In</u>		<u>Transfer Out</u>	
General fund	\$ 40,000	General fund	\$ 1,065,140
Debt funds	265,140	Nonmajor funds	40,000
Non-Bond Capital Projects	800,000		
<b>Total</b>	<b><u>\$ 1,105,140</u></b>		<b><u>\$ 1,105,140</u></b>

The food service fund transferred to the general fund for indirect cost reimbursement. The general fund transferred to the combined debt service fund to cover current year debt payments, and to the capital projects fund for future purchases.

**NOTE 9 - 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, 2023 or any of the prior three years.

**NOTE 10 – COMMITMENTS AND CONTINGENCIES:**

**Commitments:**

The District has no active commitments as of June 30, 2023.

**Contingencies:**

There is a threatened claim against the District. The District is defending against the action. Due to inconclusive nature, it is not possible for Legal Counsel to determine the probable outcome or a reasonable estimate of the District's potential liability, if any.

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.

**CROSWELL-LEXINGTON COMMUNITY SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2023**

**NOTE 11 – TAX ABATEMENT:**

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

The District could receive 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		\$ 15,371
City of Croswell		1,931
Total		<u>\$ 17,302</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 12 – UPCOMING ACCOUNTING PRONOUNCEMENTS:**

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2023-2024 fiscal year.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024-2025 fiscal year.

**CROSWELL-LEXINGTON COMMUNITY SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2023**

**NOTE 13 - CHANGE IN ACCOUNTING PRINCIPLE:**

For the year ended June 30, 2023, the District implemented the following new pronouncement: GASB Statement No. 96, *Subscription-based Information Technology Arrangements*.

**Summary:**

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based Information Technology Arrangements* was issued in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

The change for capital assets and net position is as follows:

	Capital assets	Net position
Balances as of July 1, 2022, as previously stated	\$ 21,564,207	\$ (17,226,245)
Adoption of GASB Statement 96	87,259	87,259
Balances as of July 1, 2022, as restated	\$ 21,651,466	\$ (17,138,986)

**NOTE 14 –SUBSEQUENT EVENTS:**

In June and July 2023 the District approved various upgrades/equipment purchases to be done in the upcoming fiscal year 2023-2024. Among these are approximately \$173,000 major network infrastructure upgrades and approximately \$147,000 in Chromebooks. Most of the infrastructure upgrade will be covered by E-Rate funds.

## REQUIRED SUPPLEMENTARY INFORMATION

**CROSWELL-LEXINGTON COMMUNITY SCHOOLS**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**YEAR ENDED JUNE 30, 2023**

	<u>BUDGET</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
<b>REVENUES:</b>				
Local sources				
Property taxes	\$ 3,954,047	\$ 4,153,823	\$ 4,147,282	\$ (6,541)
Tuition	8,641	6,041	2,467	(3,574)
Investment earnings	1,000	80,864	115,074	34,210
Other	198,283	167,253	234,241	66,988
Total local sources	<u>4,161,971</u>	<u>4,407,981</u>	<u>4,499,064</u>	<u>91,083</u>
State sources	17,005,829	18,612,985	18,683,041	70,056
Federal sources	3,555,082	3,628,957	3,605,910	(23,047)
Other transactions:				
Transfers from other districts	209,200	260,000	271,514	11,514
Other	16,000	11,350	11,223	(127)
<b>TOTAL REVENUES</b>	<u>24,948,082</u>	<u>26,921,273</u>	<u>27,070,752</u>	<u>149,479</u>
<b>EXPENDITURES:</b>				
Instruction:				
Basic programs	11,186,001	11,587,293	12,536,456	(949,163)
Added needs	2,670,276	2,929,064	3,284,342	(355,278)
Total instruction	<u>13,856,277</u>	<u>14,516,357</u>	<u>15,820,798</u>	<u>(1,304,441)</u>
Supporting services:				
Pupil services	1,080,885	878,149	760,030	118,119
Instructional staff services	382,954	500,547	534,575	(34,028)
General administration	739,587	695,984	687,318	8,666
School administration	1,581,423	1,521,714	1,624,249	(102,535)
Business services	482,209	475,484	501,827	(26,343)
Operations and maintenance	2,166,568	2,592,618	2,666,652	(74,034)
Pupil transportation	1,089,660	1,132,235	1,107,725	24,510
Central services	476,330	693,365	709,246	(15,881)
Athletic activities	547,707	731,038	747,681	(16,643)
Total supporting services	<u>8,547,323</u>	<u>9,221,134</u>	<u>9,339,303</u>	<u>(118,169)</u>
Debt service:				
Principal retirement	23,572	23,572	70,510	(46,938)
Interest	-	-	1,064	(1,064)
Total debt service	<u>23,572</u>	<u>23,572</u>	<u>71,574</u>	<u>(48,002)</u>
Community services	121,700	317,219	136,181	181,038
Other transactions	56,100	81,809	282,502	(200,693)
<b>TOTAL EXPENDITURES</b>	<u>22,604,972</u>	<u>24,160,091</u>	<u>25,650,358</u>	<u>(1,490,267)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>2,343,110</u>	<u>2,761,182</u>	<u>1,420,394</u>	<u>(1,340,788)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Reimbursement of insurance claims	2,300	4,200	5,117	917
Sale of assets	17,190	16,300	16,290	(10)
Proceeds from SBITA	-	-	49,472	49,472
Transfers in	25,000	25,000	40,000	15,000
Transfers out	(1,868,772)	(2,268,772)	(1,065,140)	1,203,632
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(1,824,282)</u>	<u>(2,223,272)</u>	<u>(954,261)</u>	<u>1,269,011</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 518,828</u>	<u>\$ 537,910</u>	<u>466,133</u>	<u>\$ (71,777)</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			<u>3,502,127</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 3,968,260</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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Reporting unit's proportion of net pension liability (%)	0.10342%	0.10597%	0.10606%	0.10604%	0.10723%	0.10748%	0.11005%	0.11216%	0.11258%
Reporting unit's proportionate share of net pension liability	\$ 38,896,476	\$ 25,089,692	\$ 36,433,306	\$ 35,117,750	\$ 32,234,817	\$ 27,852,217	\$ 27,456,477	\$ 27,394,560	\$ 24,796,869
Reporting unit's covered-employee payroll	\$ 10,210,714	\$ 9,792,045	\$ 9,448,388	\$ 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	380.94%	256.23%	385.60%	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)	60.77%	72.60%	59.72%	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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 4,630,151	\$ 3,524,578	\$ 3,150,056	\$ 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>4,630,151</u>	<u>3,524,578</u>	<u>3,150,056</u>	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting unit's covered-employee payroll	\$ 9,840,837	\$ 9,610,870	\$ 9,362,725	\$ 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	47.05%	36.67%	33.64%	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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Reporting unit's proportion of net OPEB liability (%)	0.10005%	0.10490%	0.10567%	0.10435%	0.10691%	0.10736%
Reporting unit's proportionate share of net OPEB liability	\$ 2,119,121	\$ 1,601,227	\$ 5,661,216	\$ 7,490,204	\$ 8,498,024	\$ 9,506,930
Reporting unit's covered-employee payroll	\$ 10,210,714	\$ 9,792,045	\$ 9,448,388	\$ 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	20.75%	16.35%	59.92%	80.54%	94.10%	105.25%
Plan fiduciary net position as a percentage of total OPEB liability (Non-university employers)	83.09%	87.33%	59.44%	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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required OPEB contributions	\$ 787,367	\$ 779,474	\$ 762,616	\$ 740,262	\$ 712,163	\$ 656,189
Contributions in relation to statutorily required contributions	<u>787,367</u>	<u>779,474</u>	<u>762,616</u>	<u>740,262</u>	<u>712,163</u>	<u>656,189</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reporting unit's covered-employee payroll (OPEB)	\$ 9,840,837	\$ 9,610,870	\$ 9,362,725	\$ 9,029,553	\$ 9,081,075	\$ 8,899,829
OPEB contributions as a percentage of covered-employee payroll	8.00%	8.11%	8.15%	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, 2023**

Pension Information

Benefit changes: there were no changes of benefit terms in 2022.

Changes of assumptions: the assumption changes for 2022 were:

Discount rate for MIP, Basic, and Pension Plus plans decreased to 6.00% from 6.80%.

OPEB Information

Benefit changes: there were no changes of benefit terms in 2022.

Changes of assumptions: the assumption changes for 2022 were:

Discount rate decreased to 6.00% from 6.95%.

## ADDITIONAL SUPPLEMENTARY INFORMATION

**CROSWELL-LEXINGTON COMMUNITY SCHOOLS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUND TYPES**  
**JUNE 30, 2023**

	<u>SPECIAL REVENUE</u>			<b>TOTAL NONMAJOR FUNDS</b>
	<u>FOOD SERVICE</u>	<u>STUDENT/SCHOOL ACTIVITIES</u>	<u>CAPITAL PROJECTS SINKING FUND</u>	
<b><u>ASSETS</u></b>				
ASSETS				
Cash and cash equivalents	\$ 116,042	\$ 328,765	\$ 702,167	\$ 1,146,974
Intergovernmental receivable	7,842	-	-	7,842
Prepaid expenditures	60,000	-	-	60,000
Inventory	14,024	-	-	14,024
<b>TOTAL ASSETS</b>	<b><u>\$ 197,908</u></b>	<b><u>\$ 328,765</u></b>	<b><u>\$ 702,167</u></b>	<b><u>\$ 1,228,840</u></b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>				
LIABILITIES				
Accounts payable	\$ 15,358	\$ -	\$ -	\$ 15,358
Accrued salaries	3,742	-	-	3,742
Due to other governmental units	5,533	-	-	5,533
Due to other funds	-	26,312	112,894	139,206
Unearned revenue	13,408	-	-	13,408
<b>TOTAL LIABILITIES</b>	<b><u>38,041</u></b>	<b><u>26,312</u></b>	<b><u>112,894</u></b>	<b><u>177,247</u></b>
FUND BALANCES				
Nonspendable for:				
Inventory	14,024	-	-	14,024
Prepays	60,000	-	-	60,000
Restricted for:				
Food service	85,843	-	-	85,843
Capital projects (sinking fund)	-	-	589,273	589,273
Committed for:				
Student/school activities	-	302,453	-	302,453
<b>TOTAL FUND BALANCES</b>	<b><u>159,867</u></b>	<b><u>302,453</u></b>	<b><u>589,273</u></b>	<b><u>1,051,593</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 197,908</u></b>	<b><u>\$ 328,765</u></b>	<b><u>\$ 702,167</u></b>	<b><u>\$ 1,228,840</u></b>

**CROSWELL-LEXINGTON COMMUNITY SCHOOLS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUND TYPES**  
**YEAR ENDED JUNE 30, 2023**

	<u>SPECIAL REVENUE</u>		<u>CAPITAL PROJECTS SINKING FUND</u>	<u>TOTAL NONMAJOR FUNDS</u>
	<u>FOOD SERVICE</u>	<u>STUDENT/SCHOOL ACTIVITIES</u>		
REVENUES:				
Local sources				
Property taxes	\$ -	\$ -	\$ 556,336	\$ 556,336
Student/school activity income	-	357,912	-	357,912
Food sales	267,964	-	-	267,964
Other revenues	2,478	-	2,114	4,592
Total local sources	<u>270,442</u>	<u>357,912</u>	<u>558,450</u>	<u>1,186,804</u>
State sources	46,434	-	-	46,434
Federal sources	<u>959,570</u>	<u>-</u>	<u>-</u>	<u>959,570</u>
TOTAL REVENUES	<u>1,276,446</u>	<u>357,912</u>	<u>558,450</u>	<u>2,192,808</u>
EXPENDITURES				
Current				
Salaries	99,329	-	-	99,329
Benefits	107,694	-	-	107,694
Purchased services	543,720	-	-	543,720
Supplies and materials	353,857	-	-	353,857
Food purchases	623,136	-	-	623,136
Student/school activities	-	279,245	-	279,245
Capital projects	-	-	281,639	281,639
Other expenses	1,453	-	-	1,453
TOTAL EXPENDITURES	<u>1,729,189</u>	<u>279,245</u>	<u>281,639</u>	<u>2,290,073</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(452,743)</u>	<u>78,667</u>	<u>276,811</u>	<u>(97,265)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(40,000)</u>	<u>-</u>	<u>-</u>	<u>(40,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(40,000)</u>	<u>-</u>	<u>-</u>	<u>(40,000)</u>
NET CHANGE IN FUND BALANCES	<u>(492,743)</u>	<u>78,667</u>	<u>276,811</u>	<u>(137,265)</u>
FUND BALANCE AT BEGINNING OF YEAR	<u>652,610</u>	<u>223,786</u>	<u>312,462</u>	<u>1,188,858</u>
FUND BALANCE AT END OF YEAR	<u>\$ 159,867</u>	<u>\$ 302,453</u>	<u>\$ 589,273</u>	<u>\$ 1,051,593</u>

**CROSWELL-LEXINGTON COMMUNITY SCHOOLS**  
**DEBT SERVICE FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2023**

	<b>2010 REFUNDING BONDS</b>	<b>2019 REFUNDING BONDS</b>	<b>2010 BUILDING &amp; SITE BONDS</b>	<b>TOTAL DEBT SERVICE FUNDS</b>
<b><u>ASSETS</u></b>				
<i>ASSETS:</i>				
Cash & cash equivalents	\$ 33,742	\$ 277,280	\$ 3,084,130	\$ 3,395,152
Due from other funds	117,546	59,633	-	177,179
<b>TOTAL ASSETS</b>	<b>\$ 151,288</b>	<b>\$ 336,913</b>	<b>\$ 3,084,130</b>	<b>\$ 3,572,331</b>
 <b><u>LIABILITIES &amp; FUND BALANCES</u></b>				
<i>LIABILITIES:</i>				
Due to other funds	\$ -	\$ -	\$ 64,285	\$ 64,285
<i>FUND BALANCES:</i>				
Restricted for debt service	151,288	336,913	3,019,845	3,508,046
<b>TOTAL LIABILITIES &amp; FUND BALANCES</b>	<b>\$ 151,288</b>	<b>\$ 336,913</b>	<b>\$ 3,084,130</b>	<b>\$ 3,572,331</b>

**CROSWELL-LEXINGTON COMMUNITY SCHOOLS**  
**DEBT SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 2023**

	<u>2010 REFUNDING BONDS</u>	<u>2019 REFUNDING BONDS</u>	<u>2010 BUILDING &amp; SITE BONDS</u>	<u>TOTAL DEBT SERVICE FUNDS</u>
REVENUES				
Local sources:				
Current tax levy	\$ 126,001	\$ 1,335,724	\$ -	\$ 1,461,725
Interest on investments	472	5,009	5,770	11,251
Total local sources	<u>126,473</u>	<u>1,340,733</u>	<u>5,770</u>	<u>1,472,976</u>
State sources	515	5,760	-	6,275
Federal sources	-	-	184,451	184,451
TOTAL REVENUES	<u>126,988</u>	<u>1,346,493</u>	<u>190,221</u>	<u>1,663,702</u>
EXPENDITURES:				
Bond principal	105,000	925,000	-	1,030,000
Bond interest	17,430	372,750	217,250	607,430
Bond fees and charges	150	375	150	675
Tax abatement	946	10,009	-	10,955
TOTAL EXPENDITURES	<u>123,526</u>	<u>1,308,134</u>	<u>217,400</u>	<u>1,649,060</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>3,462</u>	<u>38,359</u>	<u>(27,179)</u>	<u>14,642</u>
OTHER FINANCING SOURCES (USES):				
Transfer from other funds	-	-	265,140	265,140
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>265,140</u>	<u>265,140</u>
NET CHANGES IN FUND BALANCES	3,462	38,359	237,961	279,782
FUND BALANCES - JULY 1	<u>147,826</u>	<u>298,554</u>	<u>2,781,884</u>	<u>3,228,264</u>
FUND BALANCES - JUNE 30	<u>\$ 151,288</u>	<u>\$ 336,913</u>	<u>\$ 3,019,845</u>	<u>\$ 3,508,046</u>

**CROSWELL-LEXINGTON COMMUNITY SCHOOLS**  
**SCHEDULE OF BONDED DEBT**  
**2010 REFUNDING BONDS**  
**JUNE 30, 2023**

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>	
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>
<b>TOTAL</b>	<b><u>\$ 320,000</u></b>		<b><u>\$ 13,440</u></b>	<b><u>\$ 13,440</u></b>	<b><u>\$ 346,880</u></b>

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, 2023**

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>	
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>
<b>TOTAL</b>	<b><u>\$ 6,530,000</u></b>		<b><u>\$ 586,250</u></b>	<b><u>\$ 586,250</u></b>	<b><u>\$ 7,702,500</u></b>

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, 2023**

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		
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
<b>TOTAL</b>	<b>\$ 4,000,000</b>		<b>\$ 421,250</b>	<b>\$ 421,250</b>	<b>\$ (757,950)</b>	<b>\$ 4,084,550</b>

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, 2023**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	ASSISTANCE LISTING NUMBER	PASS - THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (UNEARNED) REVENUE 7/1/2022	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	CURRENT YEAR EXPENDITURES	ACCRUED (UNEARNED) REVENUE 6/30/2023
U.S. DEPARTMENT OF AGRICULTURE:								
Passed through Michigan Dept. of Education:								
Child Nutrition Cluster:								
Non-cash Assistance (donated foods)								
National School Lunch Program								
Entitlement Donated Foods	10.555	N/A	\$ 74,093	\$ -	\$ -	\$ 74,093	\$ 74,093	\$ -
Entitlement Donated Foods - bonus		N/A	6,858			6,858	6,858	-
Total non-cash assistance			<u>80,951</u>	<u>-</u>	<u>-</u>	<u>80,951</u>	<u>80,951</u>	<u>-</u>
Cash Assistance:								
Supply Chain Assistance	10.555	220910	40,445	-	-	40,445	40,445	-
Supply Chain Assistance		230910	22,081	-	-	22,081	22,081	-
National School Lunch Program		221960	67,759	152	152	67,759	67,607	-
National School Lunch Program		221961	38,015	38,015	38,015	38,015	-	-
National School Lunch Program		231960	467,416	-	-	467,416	467,416	-
Subtotal			<u>635,716</u>	<u>38,167</u>	<u>38,167</u>	<u>635,716</u>	<u>597,549</u>	<u>-</u>
Total ALN #10.555			<u>716,667</u>	<u>38,167</u>	<u>38,167</u>	<u>716,667</u>	<u>678,500</u>	<u>-</u>
School Breakfast Program	10.553	221970	32,381	268	268	32,381	32,113	-
School Breakfast Program		221971	16,292	16,292	16,292	16,292	-	-
School Breakfast Program		231970	228,119	-	-	228,119	228,119	-
Total ALN #10.553			<u>276,792</u>	<u>16,560</u>	<u>16,560</u>	<u>276,792</u>	<u>260,232</u>	<u>-</u>
Total cash assistance			<u>912,508</u>	<u>54,727</u>	<u>54,727</u>	<u>912,508</u>	<u>857,781</u>	<u>-</u>
Total Child Nutrition Cluster			<u>993,459</u>	<u>54,727</u>	<u>54,727</u>	<u>993,459</u>	<u>938,732</u>	<u>-</u>
Child and Adult Care Food Program	10.558	221920	1,240	-	-	1,240	1,240	-
Child and Adult Care Food Program		231920	9,429	-	-	9,429	9,598	169
Total ALN #10.558			<u>10,669</u>	<u>-</u>	<u>-</u>	<u>10,669</u>	<u>10,838</u>	<u>169</u>
School Breakfast Expansion	10.579	221995	10,000	-	-	10,000	10,000	-
COVID-19 Pandemic EBT Local Level Costs	10.649	220980	3,135	-	-	3,135	3,135	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>1,017,263</u>	<u>54,727</u>	<u>54,727</u>	<u>1,017,263</u>	<u>962,705</u>	<u>169</u>

The accompanying notes are an integral part of this schedule.

**CROSWELL-LEXINGTON COMMUNITY SCHOOLS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2023**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	ASSISTANCE LISTING NUMBER	PASS - THROUGH GRANTOR'S NUMBER	AWARD AMOUNT	ACCRUED (UNEARNED) REVENUE 7/1/2022	(MEMO ONLY) PRIOR YEAR EXPENDITURES	CURRENT YEAR RECEIPTS (CASH BASIS)	CURRENT YEAR EXPENDITURES	ACCRUED (UNEARNED) REVENUE 6/30/2023
U.S. DEPARTMENT OF EDUCATION:								
Passed through Michigan Department of Education:								
Title I Grants to Local Educational Agencies	84.010	231530 2223	\$ 503,700	\$ -	\$ -	\$ 503,700	\$ 503,700	\$ -
Title II Supporting Effective Instruction State Grant	84.367	230520 2223	94,421	-	-	94,421	94,421	-
Title IV Student Support and Academic Enrichment Program	84.424	230750 2223	27,836	-	-	27,836	27,836	-
Education Stabilization Fund								
COVID-19 Governor's Emergency Education Relief Fund (GEER II)	84.425C	211222 2122	15,682	15,682	15,682	15,862	180	-
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER II)	84.425D	213782 2223	100,223	-	-	-	100,223	100,223
COVID-19 Elementary and Secondary School Emergency Relief Fund (ESSER III)	84.425U	213713 2122	2,950,512	-	-	2,150,512	2,550,512	400,000
Total ALN #84.425			<u>3,066,417</u>	<u>15,682</u>	<u>15,682</u>	<u>2,166,374</u>	<u>2,650,915</u>	<u>500,223</u>
Total Passed Through Michigan Dept. of Education			<u>3,692,374</u>	<u>15,682</u>	<u>15,682</u>	<u>2,792,331</u>	<u>3,276,872</u>	<u>500,223</u>
Passed Through the Sanilac Intermediate School District:								
Special Education IDEA Cluster								
Special Education Flowthrough	84.027A	230450 2223	112,800	-	-	112,800	112,800	-
Total Passed Through the Sanilac Intermediate School District			<u>112,800</u>	<u>-</u>	<u>-</u>	<u>112,800</u>	<u>112,800</u>	<u>-</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u>3,805,174</u>	<u>15,682</u>	<u>15,682</u>	<u>2,905,131</u>	<u>3,389,672</u>	<u>500,223</u>
U.S. FEDERAL COMMUNICATIONS COMMISSION:								
Passed through Universal Service Administrative Company								
COVID-19 Emergency Connectivity Fund Program	32.009	N/A	1,953	-	-	1,953	1,953	-
<b>TOTAL U.S. FEDERAL COMMUNICATIONS COMMISSION</b>			<u>1,953</u>	<u>-</u>	<u>-</u>	<u>1,953</u>	<u>1,953</u>	<u>-</u>
<b>TOTAL FEDERAL AWARDS</b>			<u>\$ 4,824,390</u>	<u>\$ 70,409</u>	<u>\$ 70,409</u>	<u>\$ 3,924,347</u>	<u>\$ 4,354,330</u>	<u>\$ 500,392</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, 2023**

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, 2023. 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 Principals, 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.

The District qualifies for low-risk auditee status. Management has utilized NexSys, 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.

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. Reconciliation with Audited Financial Statements – Federal expenditures are reported as revenue in the following funds in the basic financial statements:

General fund	\$3,605,910
Debt service fund	184,451
Other nonmajor governmental funds	<u>959,570</u>
	<u>4,749,931</u>
Less: Federal assistance not subject to single audit act	(211,150)
Less: Federal interest subsidy	<u>(184,451)</u>
Expenditures per schedule of expenditures of federal awards	<u>\$4,354,330</u>

4. Program clusters contained within the schedule are as follows:

Child Nutrition Cluster consists of Assistance Listing #10.553 and #10.555.

Special Education (IDEA) Cluster of Assistance Listing #84.027A.



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

Certified Public Accountants

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## 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, 2023, and the related notes to the financial statements, which collectively comprise Croswell-Lexington Community Schools' basic financial statements, and have issued our report thereon dated October 12, 2023.

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered Croswell-Lexington Community Schools' internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Croswell-Lexington Community Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Croswell-Lexington Community Schools' 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 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 or significant deficiencies may exist that were not identified.

### REPORT ON COMPLIANCE AND OTHER MATTERS

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

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1-800-234-8829

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989-635-7545 fax: 989-635-7547

6476 Main Street, Suite 1 • Cass City, MI 48726  
989-872-3730 fax: 989-872-3978

**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.*

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

October 12, 2023



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

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

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Croswell-Lexington Community Schools' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Croswell-Lexington Community Schools' major federal programs for the year ended June 30, 2023. 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.

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, 2023.

***Basis for Opinion on Each Major Federal Program***

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

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

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Croswell-Lexington Community Schools' federal programs.

## **Auditor's Responsibilities for the Audit of Compliance**

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

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

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

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

## **Report on Internal Control Over Compliance**

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

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

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

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

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

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

October 12, 2023

**CROSWELL-LEXINGTON COMMUNITY SCHOOLS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2023**

**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:

**Assistance Listing Number(s)**

84.425  
10.553, 10.555

**Name of Federal Program or Cluster**

COVID-19 Education Stabilization Funds  
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, 2023

**Finding 2022-001 & 2021-001:** Considered a significant deficiency in internal control over financial reporting and on compliance and other matters.

**Criteria:** In order to comply with Michigan Department of Education requirements, the District's food service fund balance is required to be less than three months of food service expenditures.

**Condition:** Croswell-Lexington Community Schools currently has more than the allowable fund balance in the non-profit food service fund. As a result, the District will be required to develop a spending plan to reduce the balance to an acceptable level during 2021-2022 and 2022-2023 school year. The plan must be submitted to the Michigan Department of Education prior to implementation. Excess funds cannot be transferred to general fund except to the extent of the allowable indirect costs transfer.

**Cause:** The District received more funding than anticipated through the seamless summer option meals and was unable to reduce the fund balance before year-end.

**Effect:** The District's food service fund balance was greater than three months of expenditures.

**Recommendation:** The District should submit and implement a spend down plan for the 2021-2022 and 2022-2023 school year that will adequately reduce the food service fund balance to an acceptable level in accordance with MDE guidelines.

**District's Response:** The District concurs with the facts of this finding and is implementing procedures to prevent this in the future.

**Status:** As of June 30, 2023, we consider this issue resolved.



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

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Kendra K. Bednarski, CPA

To the Members of the Board

## **Croswell-Lexington Community Schools**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Croswell-Lexington Community Schools** for the year ended **June 30, 2023**. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Matters

#### 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. As described in Note 13 to the financial statements, **Croswell-Lexington Community Schools** implemented Governmental Accounting Standards Board No. 96, *Subscription-based Information Technology Arrangements*. The application of existing policies did not change during the year. 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. All significant transactions have been recognized in the financial statements in the proper period.

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

Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability. We have evaluated the key factors and assumptions used to develop the balance of the net pension liability and net 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 of the payout 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.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.

The disclosures in the financial statements are neutral, consistent, and clear.

#### Difficulties Encountered in Performing the Audit

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

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Corrected and Uncorrected Misstatements

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 12, 2023.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as **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 inquires of management regarding the methods of preparing the information and comparing the information for consistent 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 additional supplementary information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing this information to determine that the information complies with accounting principles general 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 Members of the Board 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.

Very truly yours,



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

October 12 2023



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

Certified Public Accountants

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Angela M. Burnette, CPA

Chelsie M. Peruski, CPA

Kendra K. Bednarski, CPA

To the Members of the Board  
Crowell-Lexington Community Schools

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Crowell-Lexington Community Schools as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered Crowell-Lexington Community Schools' internal control over financial reporting (internal control) as a basis for designing our audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify and deficiencies in internal control that we consider to be material weaknesses.

However, during our audit we became aware of certain matters that represent opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated October 12, 2023 on the financial statements of Crowell-Lexington Community Schools. Our comments and recommendations concerning those matters are as follows:

## **Budget Compliance**

We noted the general fund total expenditures and net change in fund balance were over/under budget by \$1,490,267 and (\$71,777), respectively. We recommend the District pay closer attention when budgeting to properly categorize expenditures and other financing uses to avoid large variances from budget to actual in functions reported in the audited financial statements. We also recommend amending your budget before June 30<sup>th</sup> each year for any necessary changes to avoid receiving a violation letter from the Michigan Department of Education.

This communication is intended solely for the use of the Board of Education and management of Crowell-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 12, 2023

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