

Carman-Ainsworth Community Schools
Audited Financial Statements

June 30, 2022

Prepared by Taylor & Morgan, P.C.

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Carman-Ainsworth Community Schools

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Carman-Ainsworth Community Schools as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Carman-Ainsworth 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 the Carman-Ainsworth Community Schools, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Carman-Ainsworth 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 17 to the financial statements, in 2022 the District adopted new accounting guidance, GASB Statement No. 87, Leases. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Carman-Ainsworth 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 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.

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In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Carman-Ainsworth 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 the Carman-Ainsworth 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 budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Carman-Ainsworth Community Schools' basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2023, on our consideration of the Carman-Ainsworth 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 the Carman-Ainsworth 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 Carman-Ainsworth Community Schools' internal control over financial reporting and compliance.

Sincerely,

Taylor & Morgan, P.C.

Taylor & Morgan, P.C.

Certified Public Accountants

Flint, Michigan

March 30, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Carman-Ainsworth Community Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

Our discussion and analysis of Carman-Ainsworth Community Schools' financial performance, a GASB 34 requirement, provides an overview of the School District's financial activities for the fiscal year ended June 30, 2022.

This reporting model was adopted by the Governmental Accounting Standards Board (GASB) in *Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 2000.

GASB 34 requires the reporting of two types of financial statements: fund financial statements and government-wide financial statements.

FUND FINANCIAL STATEMENTS

The School District's fund financial statements provide detailed information about the School District's most significant funds, not the school district as a whole. The fund level statements are reported on a modified accrual basis of accounting. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's Accounting Manual. The District's major instructional and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including Debt Service Funds, Capital Projects Fund and the Special Revenue Funds which is comprised of Food Service, Community Services, and Student Activities.

In the fund financial statements, capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The payments of principal and interest on long-term debt are recorded as expenditures in the year paid. Future years' debt obligations are not recorded.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are prepared using the full accrual basis of accounting. They report all of the District's assets and liabilities, both short-term and long-term, regardless of whether they are currently available or not. The two government-wide financial statements are the Statement of Net Position and the Statement of Activities.

The District's *net position* – the difference between assets and liabilities, 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 expenses indicates the School District's *operating results*. However, the 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 schools, must also be considered when assessing the *overall health* of the District.

The District's net position totaled (\$26,191,087) at June 30, 2022. Of this amount, \$1,908,697 was 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, 2022, with comparative totals for June 30, 2021:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Assets	\$ 80,457,067	\$ 72,050,855
Deferred outflows of resources	16,410,795	23,857,722
Liabilities	83,635,091	130,604,199
Deferred inflows of resources	39,423,858	16,113,229
Net Position:		
Net Investment in capital assets	30,790,477	25,387,952
Restricted	1,908,697	5,172,636
Unrestricted	(58,890,261)	(81,369,439)
Total net position	\$ <u>(26,191,087)</u>	\$ <u>(50,808,851)</u>

Carman-Ainsworth Community Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

The \$(58,890,261) in unrestricted net position of governmental activities represents District funds that have not been committed contractually or for debt obligations and are available for future use.

The major components of the change in net position are as follows:

- Depreciation expense

The provisions of GASB 34 require districts to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation is a reduction in net assets. Depreciation expense is recorded using a straight-line method over the estimated useful lives of the assets. In accordance with generally accepted accounting principles, depreciation expense is recorded based on the original cost of the asset less an estimated salvage value. For the year ended June 30, 2022, the net increase in accumulated depreciation was \$1,578,072.

- Capital acquisitions

Capital outlay (net of disposals) for the year ended June 30, 2022, totaled \$322,597. Combined with current year depreciation and the effect of disposals, net capital assets decreased by \$1,225,475.

- Debt Repayment

The District levied property taxes for the specific purpose of retiring debt. The collection of these taxes and the resultant 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 \$6,658,000 of long-term debt in the current year.

- GASB 68 adjustment

Adjustments were made to the government-wide statements including a decrease in pension expense totaling \$3,944,576.

- GASB 75 adjustment

Adjustments were made to the government-wide statements including a decrease in OPEB expense totaling \$4,402,501.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities. A summary of the Government-wide results of operations for the years ended June 30, 2022 and 2021, are as follows:

	June 30, 2022	June 30, 2021
General revenue		
Property taxes levied for general operation	\$ 6,800,780	\$ 6,991,620
State of Michigan aid, unrestricted	26,412,003	28,712,489
Property Taxes levied for debt service	3,087,669	2,733,676
Property Taxes levied for building & site	375,169	389,058
Investment earnings	8,050	3,754
Other – federal, state and local	207,795	588,056
Total general revenue	<u>36,998,006</u>	<u>39,418,653</u>
Program revenue		
Charges for services – local	866,228	541,123
Operating grants – federal and state	35,587,630	17,744,368
Total revenues	<u>73,451,864</u>	<u>57,704,144</u>
Expenses		
Instruction	27,597,228	34,312,320
Support services	16,421,758	15,167,807
Community services	310,397	228,638
Food services	2,181,118	1,379,449
Student activities	270,917	123,819
Capital projects	219,949	443,504
Interest on long-term debt	371,888	982,214
Depreciation (unallocated)	1,460,845	291,320
Net position – July 1	(50,808,851)	(55,583,924)
Net position – June 30	<u>\$ (26,191,087)</u>	<u>\$ (50,808,851)</u>

Carman-Ainsworth Community Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

MAJOR GOVERNMENTAL FUNDS 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 and resultant staffing requirements are known. Typically, all budgets are amended in late fall. If material changes occur in anticipated revenue or expenditures after the budget is amended in the fall, it is amended again in early spring. Currently, the most significant budgeted funds are the General Fund and the Capital Projects Fund. During the fiscal year ended June 30, 2022, the School District amended the budget of the General Fund one time.

General Fund

In the General Fund, the actual revenue and other financing sources totaled \$49.4 million. This is less than the original budget estimate of \$54.0 million, and less than the final amended budgeted amount of \$58.7 million, a variance of 15.82%. The variance between the actual revenues and the original and final revenue budgets is due primarily to lower than budgeted revenues in certain federal grants and local sources.

The actual expenditures and other financing uses of the General Fund were \$52.4 million. This is less than the original budget of \$56.9 million and less than the final estimates of \$63.3 million, a variance of 16.91%. The variance between the actual General Fund expenditures and the original and final expenditure budgets is due primarily to lower than budgeted benefit increases and lower than budgeted operational and transportation costs.

The fund balance was \$7.1 million at June 30, 2022, which is a decrease of \$3.2 million from the previous year.

Capital Projects Fund

The Capital Projects Fund receives revenues from property taxes and building and site bond issues used for the purposes approved by the voters for each issue, as well as interest income from investment of bond proceeds.

Included in this fund are expenditures of the Building and Site Sinking Fund. This consists of funds generated by a 0.5 mill levy approved by the voters for this purpose. These funds may only be used for the purchase or improvement of buildings and grounds. It may not be used for day-to-day operations such as utility payments, salaries, or the purchase of consumable supplies. The projects funded for 2021-22 included the addition of locks on doors at Dye Elementary, middle school, and high school, carpet replacement at the admin building and pool filtering system repairs at the high school; in addition, the energy bond interest was paid from this fund.

GOVERNMENTAL FUND EXPENDITURES

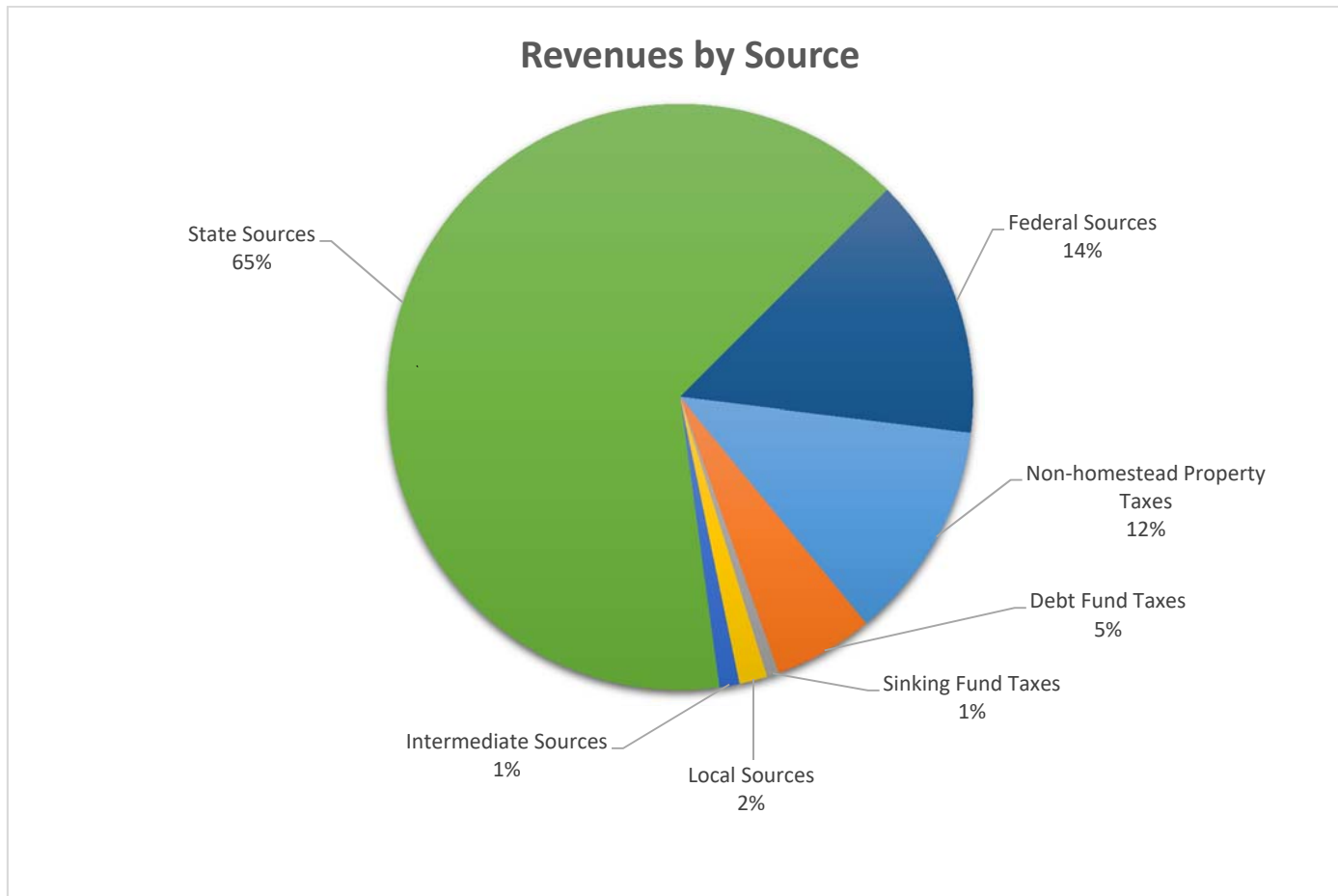
The following chart illustrates that the General Fund comprises 83% of all the expenditures within the governmental funds of the School District. As of June 30, 2022, expenditures totaled \$63.04 million for all District programs. The ending fund balance for all funds was \$9.7 million. The General Fund had a \$7.08 million fund balance as of June 30, 2022.

	Expenditures June 30, 2022 (in millions)	% of Total	Fund Balance June 30, 2022 (in millions)
General Fund	\$ 52.57	83 %	\$ 7.08
Other Non-major Funds	10.47	17	2.69
Total	\$ 63.04	100 %	\$ 9.77

Carman-Ainsworth Community Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

TOTAL REVENUES

Revenues for all governmental funds totaled \$56.2 million. The following graph illustrates the District revenues by source as a percentage of total revenue:



Unrestricted State Aid

The District is primarily funded by Aid provided by State Aid. The per-pupil allowance was \$8,700 for 2021-22. State Aid membership was computed in the 2021-22 school year with a blended count of 90% of the fall 2021 and 10% of spring 2022 count.

Carman-Ainsworth Community Schools' state aid membership for the 2021-22 school year was 3,910, a decrease of 383 students from the prior year.

Property Taxes

The District levies 17.651 mills of property taxes on all non-homestead property and 5.651 mills on all commercial personal property located within the District for General Fund operations. On May 7, 2013, the residents renewed the 18 mills for an additional ten years. 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 value of the sold property is readjusted to the State Equalized Value, which is approximately 50% of market value. The 2021-22 Non-Homestead property tax levy totaled approximately \$6.8 million.

The District levies 4.10 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 \$3.1 million.

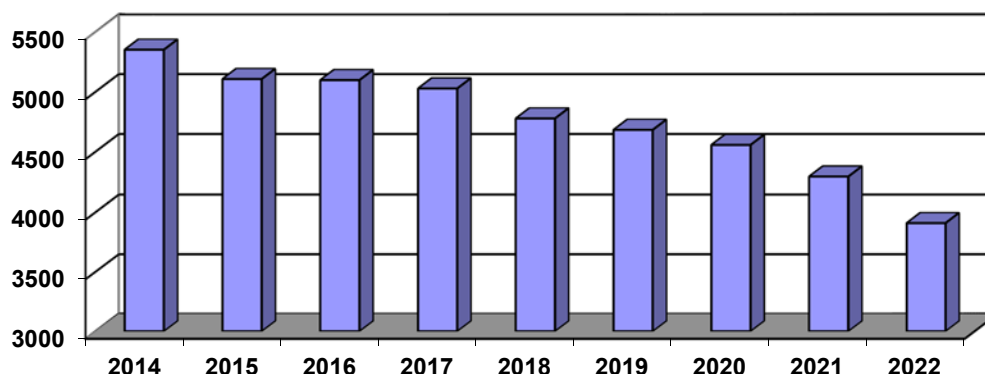
Carman-Ainsworth Community Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

The District also levies 0.4989 mills of property taxes on all classes of property for a Building and Site Fund. On May 7, 2013, the residents renewed the .5 mill levy for an additional ten years until 2024. The total amount levied for the Building and Site Fund in the current year was \$.37 million.

ENROLLMENT

One of the most important factors affecting the District's revenue is student enrollment. Enrollment is important to the financial health of the District because State funding is based on a per-pupil formula. For the fiscal year ended June 30, 2022, the gross per-pupil allowance or Foundation Allowance was \$8,700. The District participated in the State's Section 105 student choice program. The District's 2021-22 state aid membership totaled 3,910 students. This is a decrease in student membership of 383 students from the prior year.

Student enrollment over the last ten years can be illustrated as follows:



CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2022, the District had \$ 92.56 million invested in land and buildings, furniture and equipment, and vehicles and buses. Of this amount, \$47.16 million has been depreciated. Net book value totaled \$45.40 million. Total additions for the year were \$322,597 and were comprised of locks on doors at Dye Elementary, middle school, and high school, carpet replacement at the admin building, windows at all schools, and HVAC at all schools. The District's buildings range in years of construction from 1955 to 1967. Building additions and improvements have been made over the years to most buildings. 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 but are recorded as capital assets according to District policy.

Capital Assets at Year End
(Net of Depreciation)
(in millions)

	Governmental Activities
Land	\$ 1.54
Buildings and Additions	43.06
Furniture and Equipment	.09
Vehicles & Buses	.71
Total	<u>\$ 45.40</u>

Carman-Ainsworth Community Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

Outstanding debt at year-end

The District had the following outstanding debt at June 30, 2022

2016 Refunding Bond Issue	\$	6,805,000
2021 Refunding Bond Issue		<u>7,800,000</u>
Total	\$	<u><u>14,605,000</u></u>

More detailed information regarding capital assets and debt administration can be obtained by reviewing the Notes to the Basic Financial Statements located in the financial section of this report.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This report is designed to give an overview of the financial conditions of the Carman-Ainsworth Community Schools. Additional financial information can be obtained by contacting the Business Office, Carman-Ainsworth Community Schools, G-3475 W. Court St., Flint, MI 48532.

BASIC FINANCIAL STATEMENTS

CARMAN-AINSWORTH COMMUNITY SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2022

Assets		
Cash, cash equivalents and investments	\$	7,614,225
Due from other governmental units		27,269,974
Accounts receivable		75,350
Inventory		83,036
Prepaid costs		18,925
Capital assets		
Land		1,535,200
Buildings and improvements		79,758,779
Furniture and equipment		8,131,166
Buses and vehicles		3,134,245
Less: accumulated depreciation		<u>(47,163,913)</u>
Net capital assets		<u>45,395,477</u>
Total Assets		80,456,987
Deferred Outflows of Resources		
Deferred OPEB amounts		4,550,666
Deferred pension amounts		<u>11,860,129</u>
Total Deferred Outflows of Resources		16,410,795
Liabilities		
Accounts payable		1,151,895
Salaries and fringes payable		4,159,269
Due to other governmental units		3,505
Deferred revenue		249,588
Accrued interest on long-term debt		91,600
Long-term liabilities		
Due within 1 year		2,551,584
Due in more than 1 year:		
Net pension liability		58,914,242
Net OPEB liability		3,749,962
Other		<u>12,763,446</u>
Total Liabilities		83,635,091
Deferred Inflows of Resources		
Bond premium on bond refunding		656,870
Deferred OPEB amounts		15,480,779
Deferred pension amounts		<u>23,286,209</u>
Total Deferred Inflows of Resources		39,423,858
Net Position		
Invested in capital assets, net of related debt		30,790,477
Restricted for:		
Debt service		626,144
Capital projects		(194,296)
Food service		1,181,380
Student activity		295,389
Unrestricted (deficit)		<u>(58,890,261)</u>
Total Net Position (Deficit)	\$	<u><u>(26,191,167)</u></u>

See accompanying notes to basic financial statements.

CARMAN-AINSWORTH COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

		Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
	Expenses	Services	Grants and	Changes in
			Contributions	Net Position
Functions/Programs				
Governmental Activities				
Instruction	\$ 27,597,228	\$ -	\$ 24,341,327	\$ (3,255,901)
Support services	16,421,758	384,240	8,313,229	(7,724,289)
Food services	2,181,118	40,365	2,783,094	642,341
Community services	310,397	155,463	149,979	(4,955)
Student activity	270,917	286,160	-	15,243
Capital projects	219,949	-	-	(219,949)
Interest on long-term debt net of amortization of debt issue discounts and other costs	371,888	-	-	(371,888)
Unallocated depreciation (See Note 4)	1,460,845	-	-	(1,460,845)
Total governmental activities	\$ <u>48,834,100</u>	\$ <u>866,228</u>	\$ <u>35,587,630</u>	(12,380,242)
General Purpose Revenues				
Property tax				10,370,158
State school aid - unrestricted				26,412,003
Investment earnings				8,050
Miscellaneous				<u>207,715</u>
Total general revenue				<u>36,997,926</u>
Change in net position				24,617,684
Net position (deficit) - July 1				<u>(50,808,851)</u>
Net position (deficit) - June 30				\$ <u>(26,191,167)</u>

See accompanying notes to basic financial statements.

CARMAN-AINSWORTH COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets			
Cash, cash equivalents and investments	\$ 4,702,127	\$ 2,912,098	\$ 7,614,225
Due from other governmental units	27,253,406	16,568	27,269,974
Accounts receivable	75,350	-	75,350
Due from other funds	504,595	628,281	1,132,876
Inventory	31,580	51,456	83,036
Prepaid costs	18,925	-	18,925
Total Assets	\$ 32,585,983	\$ 3,608,403	\$ 36,194,386
Liabilities and Fund Balance			
Liabilities			
Accounts payable	\$ 949,187	\$ 202,708	\$ 1,151,895
Due to other funds	628,281	504,595	1,132,876
Due to other governmental units	3,505	-	3,505
Salaries and fringes payable	4,135,546	23,723	4,159,269
Deferred Revenue	63,709	185,879	249,588
Total Liabilities	5,780,228	916,905	6,697,133
Deferred Inflows of Resources			
Unavailable Revenue	19,724,875	-	19,724,875
Total Liabilities and Deferred Inflows of Resources	25,505,103	916,905	26,422,008
Fund Balance			
Non-spendable	50,505	51,456	101,961
Restricted for:			
Capital projects	-	462,574	462,574
Debt service	-	717,744	717,744
Food service	-	1,129,924	1,129,924
Student activity	-	295,389	295,389
Assigned	6,067,411	34,411	6,101,822
Unassigned	962,964	-	962,964
Total Fund Balance	7,080,880	2,691,498	9,772,378
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 32,585,983	\$ 3,608,403	\$ 36,194,386

See accompanying notes to basic financial statements.

CARMAN-AINSWORTH COMMUNITY SCHOOLS
 RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
 TO NET POSITION OF GOVERNMENTAL ACTIVITIES
 JUNE 30, 2022

Total Governmental Fund Balances	\$ 9,772,378
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of net assets	\$ 92,559,390
Accumulated depreciation	<u>(47,163,913)</u>
Total net assets	45,395,477
Grants and other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds.	19,724,875
Deferred outflows of resources resulting from GASB Statement No. 68	11,860,129
Deferred outflows of resources resulting from GASB Statement No. 75	4,550,666
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
Bonds payable	\$ (14,605,000)
Compensated absences payable	(708,438)
Worker's compensation payable	(1,592)
Net pension liability	(58,914,242)
Net OPEB liability	<u>(3,749,962)</u>
Total long-term liabilities	(77,979,234)
Deferred inflows of resources resulting from debt refunding	(656,870)
Deferred inflows of resources resulting from GASB Statement No. 68	(23,286,209)
Deferred inflows of resources resulting from GASB Statement No. 75	(15,480,779)
In the statement of net position, interest has been accrued on bonds payable in the current year.	<u>(91,600)</u>
Total net position - governmental activities	\$ <u><u>(26,191,167)</u></u>

See accompanying notes to basic financial statements.

CARMAN-AINSWORTH COMMUNITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues			
Property taxes	\$ 6,800,780	\$ 3,462,838	\$ 10,263,618
Other local sources	386,141	482,754	868,895
Intermediate sources	622,948	-	622,948
State sources	36,191,980	165,122	36,357,102
Federal sources	5,239,810	2,874,491	8,114,301
Total revenues	49,241,659	6,985,205	56,226,864
Current Expenditures			
Instruction			
Basic programs	25,887,038	-	25,887,038
Added needs	7,204,821	-	7,204,821
Total instruction	33,091,859	-	33,091,859
Support services			
Pupil services	3,981,183	-	3,981,183
Instructional staff services	2,629,056	-	2,629,056
General administration	755,860	-	755,860
School administration	2,980,176	-	2,980,176
Business services	492,141	-	492,141
Operation and maintenance	4,209,507	-	4,209,507
Pupil transportation	1,812,147	-	1,812,147
Central services	1,634,510	-	1,634,510
Athletics	532,930	-	532,930
Community services	254,429	-	254,429
Other supporting services	-	2,735,938	2,735,938
Total support services	19,281,939	2,735,938	22,017,877
Capital projects			
Capital outlay and other costs	196,556	350,785	547,341
Total capital outlay and other costs	196,556	350,785	547,341
Debt service			
Principal	-	6,658,000	6,658,000
Interest and fiscal charges	-	726,038	726,038
Total debt service	-	7,384,038	7,384,038
Total expenditures	52,570,354	10,470,761	63,041,115
Excess/(deficiency) of revenues over/(under) expenditures	(3,328,695)	(3,485,556)	(6,814,251)
Other financing sources/(uses)			
Operating transfers	137,568	(137,568)	-
Excess/(deficiency) of revenues over/(under) expenditures and other financing sources/(uses)	(3,191,127)	(3,623,124)	(6,814,251)
Fund balance - July 1	10,272,007	6,314,622	16,586,629
Fund balance - June 30	\$ 7,080,880	\$ 2,691,498	\$ 9,772,378

See accompanying notes to basic financial statements.

CARMAN-AINSWORTH COMMUNITY SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

Total net change in fund balances - governmental funds	\$	(6,814,251)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital Outlay	\$	322,597	
Depreciation Expense		<u>(1,578,072)</u>	(1,255,475)

Revenue is reported in the statement of activities when earned; revenue is not reported in the funds until collected or collectible and available to pay current obligations.	17,225,000
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of repayments reported as expenditures in the governmental funds.	6,658,000
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Accumulated unpaid benefits are recorded as liabilities in the statement of net position, but are not recorded in the governmental funds statement. This is the (increase)/decrease in accumulated unpaid benefits for the current year.	103,183
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Pension expense in the government-wide statements has been adjusted to reflect the requirements of GASB 68. This is the amount of the adjustment to pension expense in the government-wide statements.	3,944,576
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OPEB expense in the government-wide statements has been adjusted to reflect the requirements of GASB 75. This is the amount of the adjustment to OPEB expense in the government-wide statements.	4,402,501
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Amortization of the deferred premium on the 2012 and 2021 refunding bond issues is recorded in the statement of activities over the life of the bonds. This is the amount of amortization of deferred premium for the current year.	238,862
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Interest on long-term debt in the statement of activities includes accrued interest while the governmental funds statement does not. There was no (increase)/decrease in accrued interest for the current year.	<u>115,288</u>
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Change in net position of governmental activities	\$	<u><u>24,617,684</u></u>
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See accompanying notes to basic financial statements.

CARMAN-AINSWORTH COMMUNITY SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2022

	<u>Trust Funds</u>
Assets	
Cash and cash equivalents	\$ <u>62,925</u>
Total assets	<u><u>62,925</u></u>
Liabilities	
Total liabilities	<u>-</u>
Assets held in trust for other purposes	\$ <u><u>62,925</u></u>

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022

	<u>Trust Funds</u>
Additions	
Gifts, contributions and interest	\$ 3,000
Deductions	
Scholarships awarded	<u>(4,000)</u>
Change in Net Assets	(1,000)
Net Position - July 1	<u>63,925</u>
Net Position- June 30	\$ <u><u>62,925</u></u>

See accompanying notes to basic financial statements.

NOTES TO FINANCIAL STATEMENTS

CARMAN-AINSWORTH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Carman-Ainsworth Community Schools conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

Reporting Entity

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes and determine its budget, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

Basic Financial Statements – Government-wide Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Position, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts: invested in capital assets net of related debt; restricted net position; and unrestricted net position. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. General government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.) also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating grants and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District allocates indirect costs to certain federal programs and the Cafeteria fund. The amounts allocated for the year ended June 30, 2022 and 2021, amounted to \$185,161 and \$93,872, respectively. Interfund transactions have been eliminated in the government-wide financial statements.

Basic Financial Statements - Fund Financial Statements

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund - The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

CARMAN-AINSWORTH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

Governmental Funds (continued)

Special Revenue Funds - Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains three school service funds as described below:

- School Lunch Fund - used to record the operations of the District's food service operations.
- Community Service Fund - used to record the operations of the District's enrichment and child care programs.
- Student Activity Fund – used to record the operations of the District's student activity accounts.

Debt Service Funds - The Debt Service Funds are used to record tax and interest revenue and the payment of general long-term debt principal, interest and related cost. The District maintains Debt Service Funds for the 2016 and 2021 refunding bonds.

Capital Projects Funds - The Capital Projects Funds are used to record bond proceeds or other revenue and the disbursement of monies specifically designed for acquiring new school sites, buildings, equipment, and for major remodeling and repairs. The fund is retained until the purpose for which the fund was created has been accomplished. The District maintains a Sinking Fund and a Building and Site Fund.

Fiduciary Funds - Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent.

Expendable Trust Funds - Expendable trust funds are used to account for funds entrusted to the District, and the principal, or corpus, of the trust and the income produced are expendable.

Basis of Accounting/Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual - Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual - The governmental and fiduciary funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The available period for revenue recognition is 60 days. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt are recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports unavailable revenue on its governmental funds balance sheet when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. The District reports advances from grantors when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability is removed from the combined balance sheet and revenue is recognized.

CARMAN-AINSWORTH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

Cash and Investments

Cash and cash equivalents include amounts in demand deposits, sweep accounts, and certificate of deposits with original maturities less than 90 days. The District reports its investments in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and No. 40 Deposits and Investment Risk Disclosures. Under these standards, certain investments are valued at fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the District intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation (FDIC) or National Credit Union Administration (NCUA), respectively; in commercial paper rated at the time of purchase within the three highest classifications established by no less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptance of U.S. banks, and mutual funds composed of investments outlined above.

Inventories

Items purchased for future use are recorded as inventory and charged to expenditure accounts when requisitioned for use. Food Service Fund inventory consists of food and paper goods recorded at cost and commodity inventory recorded at fair market value as determined by the USDA. General Fund inventories consist of paper goods and other non-perishable type items for future use and are recorded at average cost.

Prepaid Costs

Prepaid costs consist primarily of advance payments to vendors for inventory and services. The purchase method is used to report these costs.

Capital Assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. The District has adopted a \$5,000 capitalization threshold for recording capital assets. Donated fixed assets are valued at their estimated fair market value on the date received.

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

Depreciation on all assets is computed on the straight-line basis over the estimated useful lives as follows:

Buildings and additions	20 – 50 years
Buses and other vehicles	5 – 10 years
Furniture and equipment	5 – 20 years

Deferred Outflows of Resources

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Deferred Inflows of Resources

A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. For governmental funds this includes unavailable revenue in connection with receivables for revenues that are not considered available to liquidate liabilities of the current period.

CARMAN-AINSWORTH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

Property Taxes

School property taxes are assessed and collected in accordance with enabling state legislation by cities and townships within the District's boundaries. The District's entire tax base is within Genesee County.

The property tax levy runs from July 1 to June 30. Property taxes become a lien on the first day of the levy year and are due on or before September 15. Collections are forwarded to the District as collected by the assessing municipality. Real property taxes uncollected as of March 1 are purchased by Genesee County and remitted to the District by June 30.

Property taxes are recognized in the accounting period when they become measurable and available to finance operations. Available means when due or past due and receivable within the current period and collected no longer than 60 days after the current period.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations

Substantially all employees of the District are covered under collective bargaining agreements. The following table details the terms of the District's employment contracts:

	<u>Expiration Date</u>
Association of School Administrators	June 30, 2023
Education Association	June 30, 2023
Transportation Association	June 30, 2024
CMOPP Contract	June 30, 2023
Food Service Employees	June 30, 2023

Compensated Absences

Unpaid sick days for teachers, administrators, secretaries, custodians and bus drivers are allowed to accumulate and be paid upon retirement. Administrators are paid at the rate of \$80 per day, teachers at \$60 per day, secretaries and custodians at \$35 per day for the first 75 days and \$50 for each additional day, bus drivers at \$35 per day and food service employees at \$25 per day. The total potential liability for these days at June 30, 2022 and 2021, was \$674,053 and \$766,379, respectively. All other district employees are allowed to accumulate a limited number of sick days; however, these days do not vest to the employee and are not payable upon termination. Certain school employees (executive secretaries and employees under the clerical or maintenance workers contracts) are allowed to accumulate vacation days on an earned basis. This amount is limited to the vacation days earned for the current year. Vacation pay earned (but not used) and payable at June 30, 2022 and 2021, amounted to \$34,384 and \$46,834, respectively.

Economic Dependency – The district receives approximately 65% of its operating revenue through the foundation allowance from the State of Michigan. This figure includes property taxes collected for operations.

Pension

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

CARMAN-AINSWORTH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 1 - Summary of Significant Accounting Policies (continued)

Postemployment Benefits Other than Pensions

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

Leases

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

Key estimates and judgements related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease 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.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease 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 and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

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

As the lessor, the District, at the commencement of a lease, initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payment received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgements include how the District determines (1) the discount rate is uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of this lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

CARMAN-AINSWORTH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 2 - Budget and Budgetary Accounting

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds and an informational study of Capital Project Funds of school districts prior to the expenditure of monies in a fiscal year.

The Board of Education adopts appropriations utilizing the modified accrual basis of accounting for all governmental funds. The appropriation level adopted by the Board is the level of control authorized by the act. The Act requires expenditures to be budgeted on a functional basis. A district is not considered to be in violation of the Act if reasonable procedures are in use by the District to detect violations.

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

1. The District's superintendent submits to the Board of Education a proposed budget by July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. The superintendent is authorized to transfer budgeted amounts between functions within any fund with the approval of the Budget and Finance Committee; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
4. Budgets for the General, Debt Service, Capital Projects, and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles.
5. Budgeted amounts are as originally adopted, or as amended by the Board of Education throughout the year.
6. Appropriations lapse at year-end and, therefore, cancel all encumbrances. These appropriations are reestablished at the beginning of the following year.

A comparison of actual results of operations to the budgeted amounts (at the level of control adopted by the Board of Education) for the General Fund is presented as required supplementary information.

During the year, the District incurred expenditures in the General Fund which were in excess of the amounts appropriated, as follows:

Budget item	Budget Appropriation	Actual Expenditures	Variance
Central Services	\$ 1,620,353	\$ 1,634,510	\$ 14,157
Community Services	\$ 241,685	\$ 254,429	\$ 12,744

The final amended budget anticipated expenditures exceeding revenues by \$4,611,813. Actual expenditures exceeded revenues by \$3,191,127, a positive variance of \$1,420,686.

Note 3 - Deposits and Investments

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The District's policy provides that to the extent practicable, investments are matched with anticipated cash flows. Investments are diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity period, a single issuer, or an individual class of securities and are invested primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools.

Concentration of credit risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District's policy is to diversify its investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

CARMAN-AINSWORTH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 3 - Deposits and Investments (continued)

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits this exposure by mandating that the District's investments in commercial paper and corporate bonds be limited to those with a prime rating or better issued by nationally recognized statistical rating organizations (NRSROs).

Custodial credit risk for deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities, if any, in the possession of an outside party. At June 30, 2022, the District had \$9,403,887 of its deposit balances uninsured and uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Custodial credit risk for investments

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. This risk is minimized by the District through limiting investments to those of a prime or better rating and pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisors.

Foreign currency risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The District is not authorized to invest in investments that would be subject to this type of risk.

At June 30, 2022, the District had the following investments:

<u>Investment Type</u>	<u>Fund</u>	<u>Fair Value</u>	<u>Average Credit Quality/Rating</u>	<u>Percent of Total</u>
Michigan CLASS Pool	General Fund	\$ 3,005,583	AAAm	90.64 %
Michigan CLASS Pool	Capital Projects Fund	\$ 310,547	AAAm	9.36 %
Total		<u>3,316,130</u>		<u>100.00</u>

The Michigan CLASS pool is a 2a7-like investment pool. Investments in the pool are evidenced by shares in the pool, but are not evidenced by securities that exist in physical or book-entry form. The fair value of the position in the pool is the same as the value of the pool shares. The investments are not federally insured.

Note 4 - Interfund Transactions

The District made the following inter-fund transfers during the year:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Total</u>
To:	\$ 185,161	\$ -	\$ 185,161
From:	\$ 47,593	\$ 137,568	\$ 185,161

The transfers were for the purpose of funding the Food Service Fund shortages and for indirect cost transfers.

CARMAN-AINSWORTH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 4 - Interfund Transactions (continued)

Inter-fund receivable and payable balances as of June 30, 2022, are as follows:

	Due to Other Funds	Due from Other Funds
Major funds	\$ 628,282	\$ 504,594
Non-major funds	504,594	628,282
Total	<u>\$ 1,132,876</u>	<u>\$ 1,132,876</u>

Note 5 - Changes in Capital Assets

Summary of capital asset transactions:

	Balance July 1, 2021	Additions	Disposals & Adjustments	Balance June 30, 2022
Assets not being depreciated:				
Land	\$ 1,535,200	\$ -	\$ -	\$ 1,535,200
Assets being depreciated:				
Buildings & additions	79,444,687	314,092	-	79,758,779
Furniture & equipment	8,122,661	8,505	-	8,131,166
Buses & other vehicles	3,134,245	-	-	3,134,245
Subtotal	<u>90,701,593</u>	<u>322,597</u>	<u>-</u>	<u>91,024,390</u>
Accumulated depreciation:				
Buildings & additions	35,252,741	1,448,586	-	36,701,327
Furniture & equipment	7,986,378	54,727	-	8,041,105
Buses & other vehicles	2,346,722	74,759	-	2,421,481
Subtotal	<u>45,585,841</u>	<u>1,578,072</u>	<u>-</u>	<u>47,163,913</u>
Net capital assets	<u>\$ 46,650,952</u>	<u>\$ (1,255,475)</u>	<u>\$ -</u>	<u>\$ 45,395,477</u>

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated." Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 8,445
Support services	87,003
Food service	21,779
Unallocated	1,460,845
Total depreciation expense	<u>\$ 1,578,072</u>

Note 6 – Sinking Funds

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

CARMAN-AINSWORTH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 7 - Long-Term Debt

The following is a summary of long-term debt transactions for the year ended June 30, 2022:

	Compensated Absences	Bonded Debt	Worker's Comp Liability	Total
Balance July 1, 2021	\$ 813,213	\$ 21,263,000	\$ -	\$ 22,076,213
Additions	-	-	26,163	26,163
Less: retirements & payments	(104,775)	(6,658,000)	(24,571)	(6,787,346)
Balance June 30, 2022	708,438	14,605,000	1,592	15,315,030
Less: current portion	(106,266)	(2,445,000)	(318)	(2,551,584)
Total due after one year	\$ 602,172	\$ 12,160,000	\$ 1,274	\$ 12,763,446

In accordance with District personnel policies and/or contracts negotiated with various employee groups of the District, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts. The dollar amount of these vested rights amounts to \$708,438 as of June 30, 2022. This amount has been reported as a liability in the Statement of Net Position.

On March 23, 2016, \$6,805,000 in general obligation bonds with an average interest rate of 4.00 percent were issued to advance refund the remaining \$6,975,000 of outstanding bonds of the 2006 refunding bond issue with an average interest rate of 4.0 percent. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. The outstanding balance of the bonds was \$6,805,000 at June 30, 2022.

On February 11, 2021, \$10,100,000 in general obligation bonds with an average interest rate of 4.00 percent were issued to advance refund the remaining \$7,145,000 of outstanding bonds of the 2011 refunding bond issue with an average interest rate of 4.25 percent and the remaining \$4,375,000 of outstanding bonds of the 2012 refunding bond issue with an average interest rate of 3.0 percent. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the bonds. The outstanding balance of the bonds was \$7,800,000 at June 30, 2022.

The general obligation bonds that are payable from the Debt Service Fund consist of the 2016 refunding bonds and the 2021 refunding bonds.

As of June 30, 2022, the Debt Service Funds had a balance of \$652,199 to be used for payment of bonded debt. Future debt and interest calculated at 3.0% to 4.0% will be payable from future tax levies.

Future principal and interest requirements for the 2016 and 2021 bond issues are as follows:

Year Ended June 30,	Principal	Interest	Total
2023	\$ 2,445,000	\$ 549,600	\$ 2,994,600
2024	2,670,000	451,800	3,121,800
2025	2,685,000	345,000	3,030,000
2026	3,345,000	237,600	3,582,600
2027	3,460,000	103,800	3,563,800
Total	\$ 14,605,000	\$ 1,687,800	\$ 16,292,800

The payment dates of compensated absences are indeterminable.

Interest expenditures for the year ended June 30, 2022, in the Capital Projects and Debt Service Funds were \$28,327 and \$697,711 respectively.

CARMAN-AINSWORTH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 8 – Risk Management

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft and damage to various property loss, torts, errors and omissions, employee injuries (workers' compensation) as well as medical benefits provided to employees. The District limits its exposure to such claims through its participation in and payment of premiums to the MAISL Property/Casualty Pool, Inc. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may assess its member districts on a pro-rata basis to cover excess losses. There is the potential for the district to receive annual premium refunds, if the loss fund exceeds the amount necessary to maintain prudent loss reserves. The District's management believes that participation in this pool provides sufficient coverage to protect the District from any significant adverse financial impact.

The District self-insures its workers' compensation liabilities up to \$500,000 per employee and \$5,000,000 in aggregate claims. There has been no significant reduction in coverage from the prior year. The amount of claim settlements has not exceeded insurance coverage in any of the past three years.

Changes in the balance of claims liabilities for workers' compensation program is as follows:

	For the Year Ended June 30, 2022
Accrued claims, July 1, 2021	\$ -
Incurred claims	26,163
Less: claim payments	(24,571)
Accrued claims, June 30, 2022	\$ <u>1,592</u>

Note 9 - Fund Balance

Non-spendable, Restricted, Committed, Assigned and Unassigned

The Board of Education adopts a budget each year that includes the appropriation of fund balance. Non-spendable fund balance represents assets that are not available in spendable form and are not expected to be converted to cash.

Non-spendable:

Inventory	\$ 83,036
Prepaid costs	18,925
Total non-spendable	\$ <u>101,961</u>

Restricted fund balance is reported separately to show legal constraints from debt covenants and legislation that limits the District's ability to use that net position for day-to-day operations.

Restricted:

Capital projects	\$ 462,574
Debt retirement	717,824
Student Activity	295,389
Food service	1,129,924
Total restricted	\$ <u>2,605,711</u>

Committed fund balance represents constrained amounts imposed by school board resolution. The District had no amounts committed at June 30, 2022.

CARMAN-AINSWORTH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 9 - Fund Balance (continued)

Non-spendable, Restricted, Committed, Assigned and Unassigned (continued)

Assigned fund balance represents amounts intended to be used for specific purposes expressed by the Board of Education, Finance Committee, or the official authorized by the governing body. Residual amounts in governmental funds other than the General Fund are also assigned. The Board of Education adopted the 2022-23 General Fund budget whereby expenditures exceeded revenues by \$6,067,411. This amount is shown as Assigned fund balance as of June 30, 2022.

Assigned:

Appropriation of existing fund balance for 2022-23 programs	\$ 6,067,411
Special revenue fund	34,411
Total assigned	<u>\$ 6,101,822</u>

Unassigned fund balance is reported only in the General Fund and represents the remaining fund balance after non-spendable, restrictions, and assignments have been made.

The District applies restricted resources first for applicable expenditures. Assigned fund equity is applied when expenditures are incurred for the assigned purpose, followed by unassigned fund equity for budgeted expenditures.

Note 10 - Contingencies and Commitments

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

Note 11 – Defined Benefit Pension Plan

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. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's pension plan was established by the State to provide retirement, survivor and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

The System's financial statements are available at www.michigan.gov/orsschools.

Benefits Provided

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB member or Pension Plus plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account. A refund cancels a former

CARMAN-AINSWORTH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 11 – Defined Benefit Pension Plan (continued)

Benefits Provided (continued)

member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Contributions

The majority of the members currently participate on a contributory basis, as described above under "Benefits Provided." The Districts are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2020, valuation will be amortized over an 18 year period beginning October 1, 2020 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ending September 30, 2021.

Pension Contribution Rates

Benefit Structure	Member	Employer
Basic	0.0 - 4.0 %	19.78 %
Member Investment Plan	3.0 - 7.0 %	19.78 %
Pension Plus	3.0 - 6.4 %	16.82 %
Pension Plus 2	6.2 %	19.59 %
Defined Contribution	0.0 %	13.39 %

Required contributions to the pension plan from the District were \$7,471,768 for the year ended September 30, 2021.

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

At June 30, 2022, The District reported a liability of \$58,914,242 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2020. The District's proportionate share of the net pension liability was determined by dividing each district's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable districts during the measurement period. At September 30, 2021, the District's proportion was .2488 percent, which was a decrease of .0069 percent from its proportion measured as of September 30, 2020.

CARMAN-AINSWORTH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 11 – Defined Benefit Pension Plan (continued)

For the year ended June 30, 2022, the District recognized total pension expense of \$4,372,824. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 912,607	\$ 346,935
Changes of assumptions	3,713,743	-
Net difference between projected and actual earnings on pension plan investments	-	18,940,739
Changes in proportion and differences between District contributions and proportionate share of contributions	-	3,998,535
District contributions subsequent to the measurement date	7,233,779	-
Total	\$ 11,860,129	\$ 23,286,209

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred (Inflows) and Deferred Outflows of Resources by Year (to Be Recognized in Future Pension Expenses)

Year Ending June 30,	Amount:
2022	(\$3,237,265)
2023	(\$4,583,094)
2024	(\$5,456,186)
2025	(\$5,383,314)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Actuarial Assumptions	
Valuation Date	September 30, 2020
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return	
- MIP and Basic Plans:	6.80% Net of investment expenses
- Pension Plus Plan:	6.80% Net of investment expenses

CARMAN-AINSWORTH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 11 – Defined Benefit Pension Plan (continued)

Summary of Actuarial Assumptions (continued)

- Pension Plus 2 Plan:	6.00% Net of investment expenses
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projected scale MP-2017 from 2006.
	Active members: P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projected scale MP-2017 from 2006.

Notes:

- Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total pension liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.4367
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2021 MPSERS Comprehensive Annual Financial Report found in the OS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2021, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.4 %
Private Equity Pools	16.0	9.1
International Equity	15.0	7.5
Fixed Income Pools	10.5	(0.7)
Real Estate and Infrastructure Pools	10.0	5.4
Absolute Return Pools	9.0	2.6
Real Return/Opportunistic Pools	12.5	6.1
Short Term Investment Pools	2.0	(1.3)
TOTAL	<u>100.0 %</u>	

*Long term rate of return are net of administration expenses and 2.0% inflation.

CARMAN-AINSWORTH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 11 – Defined Benefit Pension Plan (continued)

Rate of Return

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 27.3%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.80% was used to measure the total pension liability (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). This discount rate was based on the long term expected rate of return on pension plan investments of 7.05% (7.0% for the Pension Plus plan, 6.0% for the pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

1% Decrease	Current Single Discount Rate Assumption	1% Increase
5.80% / 5.80% / 5.0%*	6.80% / 6.80% / 6.0%	7.80% / 7.80% / 7.0%
\$84,231,389	\$58,914,242	\$37,924,667

*Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2.

Michigan Public Schools Employees Retirement System (MPSERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR, available on the ORS website at www/michigan.gov/orsschools.

Note 12 – Postemployment Benefits Other Than Pensions (OPEB)

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. The board consists of twelve members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, and dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

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

CARMAN-AINSWORTH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 12 – Postemployment Benefits Other Than Pensions (OPEB) (continued)

Plan Description (continued)

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

Benefits Provided

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

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

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

Contributions

Districts are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2020 valuation will be amortized over a 18-year period beginning October 1, 2020 and ending September 30, 2038.

CARMAN-AINSWORTH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 12 – Postemployment Benefits Other Than Pensions (OPEB) (continued)

Contributions (continued)

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2021.

OPEB Contribution Rates

Benefit Structure	Member	Employer
Premium Subsidy	3.00 %	8.43 %
Personal Healthcare Fund (PHF)	0.00 %	7.57 %

Required contributions to the OPEB plan from the District were \$1,823,772 for the year ended September 30, 2021.

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

At June 30, 2022, The District reported a liability of \$3,749,962 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 30, 2020. The District's proportion share of the net OPEB liability was determined by dividing each district's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable districts during the measurement period. At September 30, 2021, the District's proportion was .24567 percent, which was a decrease of .00583 percent from its proportion measured as of October 1, 2020.

For the year ended June 30, 2022, the District recognized total OPEB expense of (\$2,549,850). At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 10,704,001
Changes of assumptions	3,134,782	469,081
Net difference between projected and actual earnings on OPEB plan investments	-	2,826,414
Changes in proportion and differences between District contributions and proportionate share of contributions	31,250	1,481,283
District contributions subsequent to the measurement date*	1,384,634	-
Total	\$ 4,550,666	\$ 15,480,779

*Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

CARMAN-AINSWORTH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 12 – Postemployment Benefits Other Than Pensions (OPEB) (continued)

Deferred (Inflows) and Deferred Outflows of Resources by Year (To Be Recognized in Future OPEB Expenses)

Year Ending June 30,	Amount:
2022	(\$3,280,567)
2023	(\$2,984,376)
2024	(\$2,660,603)
2025	(\$2,445,316)
2026	(\$834,412)
Thereafter	(\$109,473)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Actuarial Assumptions

Valuation Date	September 30, 2020
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return	6.95%
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	Pre-65 7.75% 7.0% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post 65: 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120

Mortality:	Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projected scale MP-2017 from 2006.
	Active members:	P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projected scale MP-2017 from 2006.

Other Assumptions:

Opt Out Assumptions	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependent

CARMAN-AINSWORTH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 12 – Postemployment Benefits Other Than Pensions (OPEB) (continued)

Notes:

- Assumption changes as a result of an experience study for the periods 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total OPEB liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 6.1312
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2021 MPSERS Comprehensive Annual Financial Report found in the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2021, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	25.0 %	5.4 %
% Alternative Investment Pools	16.0	9.1
International Equity	15.0	7.5
Fixed Income Pools	10.5	(0.7)
Real Estate and Infrastructure Pools	10.0	5.4
Absolute Return Pools	9.0	2.6
Real return/Opportunistic Pools	12.5	6.1
Short Term Investment Pools	<u>2.0</u>	(1.3)
TOTAL	<u>100.0 %</u>	

**Long-term rate of returns are net of administrative expenses and 2.0% inflation.*

Rate of Return

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 27.14%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CARMAN-AINSWORTH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 12 – Postemployment Benefits Other Than Pensions (OPEB) (continued)

Discount Rate

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

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net OPEB liability, calculated using a discount rate of 6.95%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease	Current Discount Trend Rate	1% Increase
5.95%	6.95%	7.95%
\$6,968,107	\$3,749,962	\$1,018,907

Sensitivity of the District's Proportionate Share of the OPEB liability to Healthcare Cost Trend Rate

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

1% Decrease	Current Healthcare Cost Trend Discount Rate	1% Increase
\$912,711	\$3,749,962	\$6,942,212

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2021 MPSERS CAFR, available on the ORS website at www.michigan.com/orsschools.

Note 13 – Unavailable Revenue

Government funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. At June 30, 2022, the District had \$19,724,875 in unavailable revenue from federal grants, and at June 30, 2021, the District had \$2,499,875 in unavailable revenue from federal grants.

Note 14 – Tax Abatements

The District received reduced property tax revenues as a result of tax exemptions granted by the City of Flint and Flint Township. Industrial facility exemptions and captured districts are intended to promote construction of new industrial facilities or to rehabilitate historical facilities. The property taxes abated for the Debt Service Funds and the Capital Projects Sinking Fund were immaterial for the year ended June 30, 2022.

As part of section 22 of the State School Aid Act, any taxes abated for the General Fund operating millage are paid to the District by the State of Michigan.

Note 15– Subsequent Events

Management has evaluated subsequent events through March 30, 2023, which is the date the financial statements were available to be issued.

CARMAN-AINSWORTH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 16 – Upcoming Accounting Pronouncements

In May 2020, the GASB issued Statement No. 96, Subscription-based Information Technology Arrangements. 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 District is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

Note 17 – Change in Accounting Principle

For the year ended June 30, 2022, the District implemented the following new pronouncement: GASB Statement No. 87, *Leases*.

Summary:

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

There was no material impact on the District's financial statement after the adoption of GASB Statement 87.

REQUIRED SUPPLEMENTAL INFORMATION

CARMAN-AINSWORTH COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Local sources	\$ 7,124,916	\$ 7,124,916	\$ 7,186,921	\$ 62,005
State sources	37,300,656	36,992,907	36,191,980	(800,927)
Federal sources	8,053,556	13,282,265	5,239,810	(8,042,455)
Interdistrict sources	1,411,493	1,197,270	622,948	(574,322)
Total revenues	53,890,621	58,597,358	49,241,659	(9,355,699)
Expenditures				
Education				
Instruction				
Basic programs	27,568,814	32,226,129	25,887,038	6,339,091
Added needs	7,744,751	8,652,763	7,204,821	1,447,942
Supporting services				
Pupil services	4,170,697	4,450,879	3,981,183	469,696
Instructional staff	2,623,790	2,689,757	2,629,056	60,701
General administration	949,381	994,138	755,860	238,278
School administration	3,070,253	3,237,666	2,980,176	257,490
Business services	680,927	708,177	492,141	216,036
Operation and maintenance	5,247,717	4,838,240	4,209,507	628,733
Pupil transportation	2,097,874	2,442,720	1,812,147	630,573
Central services	1,587,705	1,620,353	1,634,510	(14,157)
Athletics	604,971	764,489	532,930	231,559
Community services	232,629	241,685	254,429	(12,744)
Total expenditures	56,579,509	62,866,996	52,373,798	10,493,198
Excess/(deficiency) of revenues over/(under) expenditures	(2,688,888)	(4,269,638)	(3,132,139)	1,137,499
Other financing sources/(uses)				
Other financing sources	120,000	120,000	185,161	65,161
Other financing uses	(365,737)	(462,175)	(244,149)	218,026
Total other financing sources/(uses)	(245,737)	(342,175)	(58,988)	283,187
Excess/(deficiency) of revenues over/(under) expenditures and other financing sources/(uses)	(2,934,625)	(4,611,813)	(3,191,127)	1,420,686
Fund balance - July 1	10,272,007	10,272,007	10,272,007	-
Fund balance - June 30	\$ 7,337,382	\$ 5,660,194	\$ 7,080,880	\$ 1,420,686

CARMAN-AINSWORTH COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTAL INFORMATION
PENSION PLAN INFORMATION
JUNE 30, 2022

**Schedule of District's Proportionate Share of the Net Pension Liability
Determined As of 9/30 of Each Fiscal Year**

	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability (%)	0.24884%	0.25773%	0.26617%	0.27094%	0.27686%	0.29358%	0.29559%	0.29652%
District's proportionate share of net pension liability	\$ 58,914,242	\$ 88,533,914	\$ 88,145,283	\$ 81,448,346	\$ 71,745,729	\$ 73,246,788	\$ 72,197,727	\$ 65,311,972
District's covered-employee payroll	\$ 21,919,463	\$ 22,140,781	\$ 22,946,882	\$ 22,758,187	\$ 22,443,354	\$ 24,601,870	\$ 24,885,860	\$ 25,412,351
District's proportionate share of net pension liability as a percentage of its covered-employee payroll	268.78%	399.87%	384.13%	357.89%	319.67%	297.73%	290.12%	257.01%
Plan fiduciary net position as a percentage of total pension liability	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

**Schedule of the District's Contributions
Determined as of 6/30 of Each Fiscal Year**

	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions	\$ 8,317,769	\$ 7,082,824	\$ 7,070,807	\$ 7,054,453	\$ 6,850,971	\$ 6,657,657	\$ 6,686,246	\$ 7,197,468
Contributions in relation to statutorily required contributions	\$ 8,317,769	\$ 7,082,824	\$ 7,070,807	\$ 7,054,453	\$ 6,850,971	\$ 6,657,657	\$ 6,686,246	\$ 7,197,468
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 23,008,249	\$ 21,560,048	\$ 22,437,380	\$ 22,894,698	\$ 22,703,978	\$ 23,352,177	\$ 24,229,992	\$ 25,200,529
Contributions as a percentage of covered-employee payroll	36.15%	32.85%	31.51%	30.81%	30.18%	28.51%	27.59%	28.56%

Notes

See Note 11 to the financial statements for discussion of benefit terms and assumptions.

There were no changes to benefit terms in FY 2021.

There were no changes of benefit assumptions in FY 2021.

CARMAN-AINSWORTH COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTAL INFORMATION
OPEB PLAN INFORMATION
JUNE 30, 2022

**Schedule of District's Proportionate Share of the Net OPEB Liability
Determined As of 9/30 of Each Fiscal Year**

	2021	2020	2019	2018	2017
District's proportion of net OPEB liability (%)	0.24560%	0.25150%	0.26371%	0.26806%	0.27707%
District's proportionate share of net OPEB liability	\$ 3,749,962	\$ 13,473,785	\$ 18,928,340	\$ 21,307,738	\$ 24,535,760
District's covered-employee payroll	\$ 21,919,463	\$ 22,140,781	\$ 22,946,882	\$ 22,758,187	\$ 22,443,354
District's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	17.11%	60.86%	82.49%	93.63%	109.32%
Plan fiduciary net position as a percentage of total OPEB liability	87.33%	59.44%	48.46%	42.95%	36.39%

**Schedule of the District's Contributions
Determined as of 6/30 of Each Fiscal Year**

	2022	2021	2020	2019	2018
Statutorily required OPEB contributions	\$ 1,852,150	\$ 1,776,944	\$ 1,810,644	\$ 1,806,848	\$ 1,761,808
OPEB Contributions in relation to statutorily required contributions	<u>\$ 1,852,150</u>	<u>\$ 1,776,944</u>	<u>\$ 1,810,644</u>	<u>\$ 1,806,848</u>	<u>\$ 1,761,808</u>
Contribution deficiency/(excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 23,008,249	\$ 21,560,048	\$ 22,437,380	\$ 22,894,698	\$ 22,703,978
OPEB Contributions as a percentage of covered-employee payroll	8.05%	8.24%	8.07%	7.89%	7.76%

Notes

See Note 12 to the financial statements for discussion of benefit terms and assumptions.

There were no changes to benefit terms in FY 2021.

The assumption changes for 2021 were:

Healthcare cost trend rate was broken into two groups, Pre 65 and Post 65. The Pre 65 rate is 7.75% Year 1 graded to 3.50% Year 15. The Post 65 rate is 5.25% Year 1 graded to 3.50% Year 15. The prior healthcare cost trend rate was reported as one group with a rate of 7.00% Year 1 graded to 3.50% Year 15.

OTHER SUPPLEMENTAL INFORMATION

CARMAN-AINSWORTH COMMUNITY SCHOOLS
 OTHER SUPPLEMENTAL INFORMATION
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2022

	Special Revenue Funds					Non-Major Governmental Funds Total
	School Lunch Fund	Community Service Fund	Student Activity Fund	Capital Projects Fund	Debt Service Funds	
Assets						
Cash, cash equivalents and investments	\$ 1,251,226	\$ 215,200	\$ 295,389	\$ 657,243	\$ 493,040	\$ 2,912,098
Due from other governmental units	16,568	-	-	-	-	16,568
Due from other funds	64,357	9,455	-	-	554,469	628,281
Inventory	51,456	-	-	-	-	51,456
Total Assets	\$ 1,383,607	\$ 224,655	\$ 295,389	\$ 657,243	\$ 1,047,509	\$ 3,608,403
Liabilities						
Accounts payable	\$ 32,683	\$ 1,620	\$ -	\$ 168,405	\$ -	\$ 202,708
Due to other funds	148,566	-	-	26,264	329,765	504,595
Deferred revenue	-	185,879	-	-	-	185,879
Salaries and fringes payable	20,978	2,745	-	-	-	23,723
Total Liabilities	202,227	190,244	-	194,669	329,765	916,905
Fund Balance						
Non-spendable	51,456	-	-	-	-	51,456
Restricted for:						
Capital projects	-	-	-	462,565	-	462,565
Sinking fund	-	-	-	9	-	9
Debt service	-	-	-	-	717,744	717,744
Food service	1,129,924	-	-	-	-	1,129,924
Student activity	-	-	295,389	-	-	295,389
Assigned	-	34,411	-	-	-	34,411
Total Fund Balance	1,181,380	34,411	295,389	462,574	717,744	2,691,498
Total Liabilities and Fund Balance	\$ 1,383,607	\$ 224,655	\$ 295,389	\$ 657,243	\$ 1,047,509	\$ 3,608,403

CARMAN-AINSWORTH COMMUNITY SCHOOLS
 OTHER SUPPLEMENTAL INFORMATION
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2022

	Special Revenue Funds					Non-Major Governmental Funds Total
	School Lunch Fund	Community Service Fund	Student Activity Fund	Capital Projects Fund	Debt Service Fund	
Revenues						
Revenues from local sources						
Food sales	\$ 40,365	\$ -	\$ -	\$ -	\$ -	\$ 40,365
Property taxes	-	-	-	375,169	3,087,669	3,462,838
Other local sources	-	155,463	286,160	766	-	442,389
State payment in lieu of tax	-	-	-	13,292	93,248	106,540
State aid	58,582	-	-	-	-	58,582
Federal aid	2,724,512	149,979	-	-	-	2,874,491
Total Revenues	2,823,459	305,442	286,160	389,227	3,180,917	6,985,205
Expenditures						
Salaries	727,846	113,091	-	-	-	840,937
Employee benefits	325,493	47,734	-	-	-	373,227
Purchased services	94,811	102,237	-	2,000	-	199,048
Supplies and materials	991,643	43,753	-	-	-	1,035,396
Capital outlay	6,795	-	-	343,990	-	350,785
Other	12,751	3,582	270,917	-	80	287,330
Principal	-	-	-	4,358,000	2,300,000	6,658,000
Interest and fiscal charges	-	-	-	28,327	697,711	726,038
Total Expenditures	2,159,339	310,397	270,917	4,732,317	2,997,791	10,470,761
Excess/(deficiency) of revenues over/(under) expenditures	664,120	(4,955)	15,243	(4,343,090)	183,126	(3,485,556)
Other financing sources/(uses)						
Intra-district transfers	(137,568)	-	-	-	-	(137,568)
Total other financing sources/(uses)	(137,568)	-	-	-	-	(137,568)
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures	526,552	(4,955)	15,243	(4,343,090)	183,126	(3,623,124)
Fund Balance - July 1	654,828	39,366	280,146	4,805,664	534,618	6,314,622
Fund Balance - June 30	\$ 1,181,380	\$ 34,411	\$ 295,389	\$ 462,574	\$ 717,744	\$ 2,691,498

CARMAN-AINSWORTH COMMUNITY SCHOOLS
 OTHER SUPPLEMENTAL INFORMATION
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2022

	Sinking Fund	Building and Site Funds	Total
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and investments	\$ 657,234	\$ 9	\$ 657,243
	<u> </u>	<u> </u>	<u> </u>
Total Assets	\$ 657,234	\$ 9	\$ 657,243
	<u> </u>	<u> </u>	<u> </u>
Liabilities			
Accounts payable	\$ 168,405	\$ -	\$ 168,405
Due to other funds	26,264		26,264
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	194,669	-	194,669
Fund Balance			
Restricted for:			
Capital Projects	462,565	9	462,574
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balance	462,565	9	462,574
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balance	\$ 657,234	\$ 9	\$ 657,243
	<u> </u>	<u> </u>	<u> </u>

CARMAN-AINSWORTH COMMUNITY SCHOOLS
 OTHER SUPPLEMENTAL INFORMATION
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 CAPITAL PROJECTS FUNDS
 FOR THE YEAR ENDED JUNE 30, 2022

	Sinking Fund	Building and Site Fund	Total
Revenues			
Property taxes	\$ 375,169	\$ -	\$ 375,169
Earnings on investments	752	14	766
State payment in lieu of tax	<u>13,292</u>	<u>-</u>	<u>13,292</u>
Total revenues	389,213	14	389,227
Expenditures			
Purchased services	2,000	-	2,000
Capital projects	343,990	-	343,990
Principal	-	4,358,000	4,358,000
Interest and fiscal charges	<u>16,766</u>	<u>11,561</u>	<u>28,327</u>
Total expenditures	<u>362,756</u>	<u>4,369,561</u>	<u>4,732,317</u>
Excess (deficiency) of revenues over/(under) expenditures	26,457	(4,369,547)	(4,343,090)
Fund Balance - July 1	<u>436,108</u>	<u>4,369,556</u>	<u>4,805,664</u>
Fund Balance - June 30	\$ <u><u>462,565</u></u>	\$ <u><u>9</u></u>	\$ <u><u>462,574</u></u>

CARMAN-AINSWORTH COMMUNITY SCHOOLS
 OTHER SUPPLEMENTAL INFORMATION
 GENERAL FUND
 SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
 FOR THE YEAR ENDED JUNE 30, 2022
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021

	June 30, 2022	June 30, 2021
Local sources		
Property taxes	\$ 6,800,780	\$ 6,991,620
Athletics	53,245	19,107
Tuition	6,325	65,469
Earnings on investments	7,284	3,002
Other	319,287	214,092
Total revenues from local sources	7,186,921	7,293,290
State sources		
Grants - unrestricted		
State school aid	26,412,003	28,712,489
Grants - restricted		
Special Education	1,883,743	1,805,833
At Risk	2,836,475	3,113,017
Vocational Education	76,374	114,338
Other	4,983,385	4,388,208
Total revenues from state sources	36,191,980	38,133,885
Federal sources		
Grants - restricted		
Special Education - I.D.E.A.	1,184,134	1,110,385
Title I	1,677,236	1,002,057
Title IIA Improving Teacher Quality	157,598	179,097
Title III	5,571	-
Title IV	1,000	-
Early Head Start	563,543	1,879,555
ESSER	577,261	764,402
ESSER II	549,445	-
GEER	353,226	-
Coronavirus Relief Funds	57,640	1,549,083
Voc Ed - Perkins	36,387	31,272
Medicaid Outreach and other	76,769	259,366
Total revenues from federal sources	5,239,810	6,775,217
Interdistrict sources		
County special education tax	308,065	362,042
Other local transfers	314,883	295,030
Total revenues from interdistrict sources	622,948	657,072
Other financing sources		
Reimbursement from insurance claims & other	-	125,503
Operating transfers/Indirect cost allocations	185,161	184,757
Total other financing sources	185,161	310,260
Total revenues and other financing sources	\$ 49,426,820	\$ 53,169,724

CARMAN-AINSWORTH COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2022
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021

	Salaries & Benefits	Purchased Services	Supplies & Materials	Capital Outlay & Other	Totals June 30, 2022	Totals June 30, 2021
Instruction						
Basic programs						
Elementary	\$ 4,900,042	\$ 272,759	\$ 373,727	\$ 31,760	\$ 5,578,288	\$ 6,330,000
Middle school	2,034,289	68,361	97,262	464	2,200,376	2,566,202
High school	3,598,800	740,940	299,997	4,279,403	8,919,140	8,784,007
Preschool/Head start	569,646	20,041	29,604	3,725	623,016	637,581
Other basic programs	440,277	122,154	30,306	-	592,737	417,449
Employee benefits	7,973,481	-	-	-	7,973,481	7,328,239
Added needs						
Special education	3,267,174	80,967	124,667	-	3,472,808	2,844,149
Compensatory education	697,377	333,832	57,996	-	1,089,205	1,207,758
Vocational education	102,849	3,330	66,628	-	172,807	174,770
Employee benefits	2,470,001	-	-	-	2,470,001	2,392,417
Total instruction	26,053,936	1,642,384	1,080,187	4,315,352	33,091,859	32,682,572
Supporting services						
Pupil services						
Attendance	47,885	-	-	-	47,885	102,401
Guidance services	621,435	-	232	-	621,667	575,525
Health services	170,850	2,242	5,149	-	178,241	94,700
Psychological services	184,626	-	6,282	-	190,908	160,904
Speech pathology	401,250	18,490	5,538	-	425,278	382,774
Social work services	297,884	-	3,954	-	301,838	265,364
Teacher consultants	267,671	-	2,195	-	269,866	161,571
Other pupil services	204,735	350,695	3,008	-	558,438	320,760
Employee benefits	1,387,062	-	-	-	1,387,062	1,246,360
Instructional staff						
Improvement of instruction	472,977	125,295	51,545	4,061	653,878	373,715
Educational media	214,621	9,599	13,357	1,153	238,730	192,988
Instruction related technology	-	33,325	16,798	-	50,123	5,865
Supervision instructional staff	705,227	16,548	52,154	265	774,194	666,526
Testing	-	39,195	850	-	40,045	46,099
Employee benefits	872,086	-	-	-	872,086	667,850
General administration						
Board of education	7,521	65,708	21,901	8,354	103,484	87,258
Executive administration	351,768	25,252	11,347	29,540	417,907	398,428
Employee benefits	234,469	-	-	-	234,469	230,607
School administration						
Office of the principal	1,605,722	40,671	5,067	9,765	1,661,225	1,529,148
Other school administration	139,608	50,151	8,565	864	199,188	185,451
Employee benefits	1,119,763	-	-	-	1,119,763	1,103,803
Business services						
Fiscal services	195,168	2,818	6,618	9,505	214,109	197,486
Other business services	-	-	538	72,527	73,065	79,368
Employee benefits	204,967	-	-	-	204,967	190,235
Operations & maintenance						
Operation & maintenance of plant	584,674	1,524,113	1,339,219	156,267	3,604,273	3,080,921
Security services	-	220,866	-	-	220,866	97,335
Employee benefits	384,368	-	-	-	384,368	410,787

(continued)

CARMAN-AINSWORTH COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2022
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2021

	Salaries & Benefits	Purchased Services	Supplies & Materials	Capital Outlay & Other	Totals June 30, 2022	Totals June 30, 2021
Supporting services (continued)						
Pupil transportation						
Pupil transportation services	\$ 697,018	\$ 130,137	\$ 224,660	\$ 372,489	\$ 1,424,304	\$ 1,022,289
Employee benefits	387,843	-	-	-	387,843	344,220
Central services						
Planning, research & eval.	46,198	-	-	-	46,198	48,023
Communication services	39,879	24,211	-	369	64,459	30,939
Staff services	121,841	36,896	376	540	159,653	122,543
Information management services	74,684	551,296	128,207	417,096	1,171,283	892,905
Employee benefits	192,917	-	-	-	192,917	159,135
Athletics						
Athletic Programs	162,311	248,300	21,680	19,164	451,455	350,022
Employee benefits	81,475	-	-	-	81,475	67,148
Total support services	12,480,503	3,515,808	1,929,240	1,101,959	19,027,510	15,891,453
Community services						
Civic activities	99,390	6,578	73,307	-	179,275	96,660
Custody & care of children	-	10,033	3,730	-	13,763	12,030
Employee benefits	61,391	-	-	-	61,391	5,310
Total community services	160,781	16,611	77,037	-	254,429	114,000
Total expenditures	38,695,220	5,174,803	3,086,464	5,417,311	52,373,798	48,688,025
Other financing uses						
Building improvement	-	-	-	196,556	196,556	63,704
Intra-district transfers	-	-	-	47,593	47,593	90,885
Total other financing uses	-	-	-	244,149	244,149	154,589
Total expenditures and other financing uses	\$ 38,695,220	\$ 5,174,803	\$ 3,086,464	\$ 5,661,460	\$ 52,617,947	\$ 48,842,614

(concluded)

CARMAN-AINSWORTH COMMUNITY SCHOOLS
 DETAIL OF BONDED DEBT
 2016 REFUNDING BOND ISSUE
 JUNE 30, 2022

Amount: \$6,805,000

Date Issued: March 23, 2016

Purpose: Refunding remaining portion of 2006 Refunding Bonds

<u>Due</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
11/01/22	4.000%	\$ -	\$ 118,800	\$ 118,800
05/01/23	4.000%	-	118,800	118,800
11/01/23	4.000%	-	118,800	118,800
05/01/24	4.000%	-	118,800	118,800
11/01/24	4.000%	-	118,800	118,800
05/01/25	4.000%	-	118,800	118,800
11/01/25	4.000%	-	118,800	118,800
05/01/26	4.000%	3,345,000	118,800	3,463,800
11/01/26	3.000%	-	51,900	51,900
05/01/27	3.000%	<u>3,460,000</u>	<u>51,900</u>	<u>3,511,900</u>
Total		\$ <u><u>6,805,000</u></u>	\$ <u><u>1,054,200</u></u>	\$ <u><u>7,859,200</u></u>

CARMAN-AINSWORTH COMMUNITY SCHOOLS
 DETAIL OF BONDED DEBT
 2021 REFUNDING BOND ISSUE
 JUNE 30, 2022

Amount: \$10,100,000

Date Issued: March 11, 2021

Purpose: Refunding remaining portion of 2011 and 2012 Refunding Bonds

<u>Due</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
11/01/22	4.000%	\$ -	\$ 156,000	\$ 156,000
05/01/23	4.000%	2,445,000	156,000	2,601,000
11/01/23	4.000%	-	107,100	107,100
05/01/24	4.000%	2,670,000	107,100	2,777,100
11/01/24	4.000%	-	53,700	53,700
05/01/25	4.000%	<u>2,685,000</u>	<u>53,700</u>	<u>2,738,700</u>
Total		\$ <u><u>7,800,000</u></u>	\$ <u><u>633,600</u></u>	\$ <u><u>8,433,600</u></u>

UNIFORM GUIDANCE

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

Board of Education
Carman-Ainsworth Community Schools

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Carman-Ainsworth Community Schools as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Carman-Ainsworth Community Schools' basic financial statements, and have issued our report thereon dated March 30, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Carman-Ainsworth Community Schools' internal control over financial reporting (internal control) as a basis for designing 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 Carman-Ainsworth Community Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Carman-Ainsworth Community Schools' internal control.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies

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 consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-001 and 2022-002 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2022-003 and 2022-004 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Carman-Ainsworth Community Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2022-005.

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Carman Ainsworth Community Schools' Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Carman-Ainsworth Community Schools' responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Carman-Ainsworth Community Schools' responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

Taylor & Morgan, P.C.

TAYLOR & MORGAN, P.C.
Certified Public Accountants

Flint, MI
March 30, 2023

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PORGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Education

Carman-Ainsworth Community Schools

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Carman-Ainsworth Community Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Carman-Ainsworth Community Schools' major federal programs for the year ended June 30, 2022. Carman-Ainsworth 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, the Carman-Ainsworth 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, 2022

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the Carman-Ainsworth 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 the Carman-Ainsworth 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 the Carman-Ainsworth Community Schools' federal programs

Auditors' Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Carman-Ainsworth 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 the Carman-Ainsworth Community Schools compliance

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with the requirements of each major federal program as a whole. In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Carman-Ainsworth 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 the Carman-Ainsworth 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 the Carman-Ainsworth 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 does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or 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 and therefore material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2022-006 that we consider to be a significant deficiency.

Carman-Ainsworth Community Schools' response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Carman-Ainsworth Community Schools' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Taylor & Morgan, P.C.

TAYLOR & MORGAN, P.C.
Certified Public Accountants

Flint, Michigan
March 30, 2023

**CARMAN-AINSWORTH COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor Pass Through Grantor Program Title/Grantor's No.	Federal A.L.N. Number	Grant Award	(Memo only) Prior Year Expenditures	Accrued/ (Deferred) June 30, 2021 Revenue	Current Year Receipts	Current Year Expenditures	Accrued/ (Deferred) June 30, 2022 Revenue
<u>U.S. DEPARTMENT OF EDUCATION</u>							
<u>Received Through M.D.E.</u>							
<u>Title I</u>							
221530-2122	84.010	\$ 3,023,452	\$ -	\$ -	\$ -	1,620,273	\$ 1,620,273
211530-2021	84.010	2,823,702	1,530,265	1,530,265	1,616,821	86,556	-
		5,847,154	1,530,265	1,530,265	1,616,821	1,706,829	1,620,273
<u>Title IIA Improving Teacher Quality</u>							
220520-2122	84.367	483,488	-	-	-	315,841	315,841
210520-2021	84.367	453,962	144,421	144,421	157,598	13,177	-
		937,450	144,421	144,421	157,598	329,018	315,841
<u>Title III</u>							
220570-2122	84.365	3,236	-	-	-	298	298
210570-2021	84.365	6,915	-	-	5,570	5,570	-
		10,151	-	-	5,570	5,868	298
<u>Title IV</u>							
210750-2122	84.424	253,456	-	-	-	157,656	157,656
210750-2021	84.424	232,750	-	-	1,000	1,000	-
		486,206	-	-	1,000	158,656	157,656
<u>COVID-19 - El. And Sec. School Emerg. Relief (ESSER) Formula</u>							
203710-1920	84.425D	1,341,663	1,188,345	423,943	577,261	153,318	-
<u>COVID-19 - El. And Sec. School Emerg. Relief (ESSER II)</u>							
213712-2122	84.425D	6,404,309	-	-	-	6,404,309	6,404,309
213722-2122	84.425D	288,750	-	-	288,750	288,750	-
213742-2122	84.425D	300,300	-	-	-	260,695	260,695
<u>COVID-19 - El. And Sec. School Emerg. Relief (ESSER III)</u>							
213713-2122	84.425U	14,393,397	-	-	-	10,404,277	10,404,277
<u>COVID-19 - Governor's Emergency Education Relief (GEER) Fund</u>							
211222-2022	84.425C	27,375	-	-	-	27,375	27,375
201200-2021	84.425C	353,226	353,326	353,226	353,226	-	-
		23,109,020	1,541,671	777,169	1,219,237	17,538,724	17,096,656
Total Received Through M.D.E.		30,389,981	3,216,357	2,451,855	3,000,226	19,739,095	19,190,724
<u>Received Through G.I.S.D.</u>							
<u>Perkins Secondary Regional</u>							
221530-2122	84.048	35,899	-	-	18,796	19,603	807
213520-211215	84.048	32,509	11,203	(16,785)	-	16,785	-
		68,408	11,203	(16,785)	18,796	36,388	807
<u>Special Education</u>							
COVID-19 IDEA ARP Flow Through 220460-2122	84.027	233,841	-	-	-	135,508	135,508
IDEA Flow Through 220450-2122	84.027	1,146,347	-	-	646,619	1,146,347	499,728
IDEA Flow Through 190450-2021	84.027	1,078,838	1,078,838	387,567	387,567	-	-
IDEA Preschool 220460-2122	84.027	37,787	-	-	19,543	37,787	18,244
IDEA Preschool 210460-2021	84.027	23,772	23,772	9,430	9,430	-	-
		2,520,585	1,102,610	396,997	1,063,159	1,319,642	653,480
Total Received Through G.I.S.D.		2,588,993	1,113,813	380,212	1,081,955	1,356,030	654,287
Total U.S. Department of Education		32,978,974	4,330,170	2,832,067	4,082,181	21,095,125	19,845,011
<u>Received Through Michigan Department of Community Mental Health Passed Through GISD</u>							
Medicaid Administrative Outreach 21-22	93.778	10,858	-	-	10,858	10,858	-
Total Received Through Michigan Department of Community Mental Health		10,858	-	-	10,858	10,858	-
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>							
<u>Head Start</u>							
Early Head Start 20-21	93.600	1,254,000	1,116,277	348,223	435,568	87,345	-
Early Head Start 21-22	93.600	1,269,299	-	-	413,207	1,110,509	697,302
Early Head Start 20-21	93.600	65,911	659,114	-	65,911	65,911	-
Early Head Start 21-22 Training	93.600	26,079	-	-	4,805	15,778	10,973
Early Head Start 20-21 Training	93.600	26,961	12,355	1,905	15,575	10,165	(3,505)
		2,642,250	1,787,746	350,128	935,066	1,289,708	704,770
Total U.S. Department of Health and Human Services		2,653,108	1,787,746	350,128	945,924	1,300,566	704,770

CARMAN-AINSWORTH COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor Pass Through Grantor Program Title/Grantor's No.	Federal A.L.N. Number	Grant Award	(Memo only) Prior Year Expenditures	Accrued/ (Deferred) June 30, 2021 Revenue	Current Year Receipts	Current Year Expenditures	Accrued/ (Deferred) June 30, 2022 Revenue
<u>U.S. DEPARTMENT OF TREASURY</u>							
<u>Received Through M.D.E.</u>							
<u>COVID-19 - Coronavirus Relief Funds (CRF)</u>							
11p 2020-21	21.019	1,525,622	1,467,982	(57,640)	-	57,640	-
Total U.S. Department of Treasury		1,525,622	1,467,982	(57,640)	-	57,640	-
<u>U.S. DEPARTMENT OF AGRICULTURE</u>							
<u>Passed Through Michigan Dept. of Education</u>							
COVID-19 Pandemic EBT Local Level Costs 210980-2022	10.649	3,063	-	-	3,063	3,063	-
<u>National School Lunch - Child Nutrition Cluster</u>							
COVID-19 Summer Food Service Program Operating 210904-2021	10.559	748,635	808,807	60,172	60,172	-	-
COVID-19 Supply Chain Assistance 220910-2022	10.555	60,369	-	-	60,369	60,369	-
COVID-19 Extended SFSP 210904-2022	10.559	34,896	-	-	34,896	34,896	-
COVID-19 Seamless Summer Option-Breakfast 221971-2022	10.553	581,619	-	-	581,619	602,442	20,823
COVID-19 Seamless Summer Option-Lunch 221961-2022	10.555	1,855,575	-	-	1,855,575	1,906,864	51,289
COVID-19 Emergency Operations-SNP Meals 211965-2021	10.555	257,112	257,112	257,112	257,112	-	-
Entitlement Commodities 2022	10.555	116,875	-	-	116,875	116,875	-
Total U.S. Dept. of Agriculture		3,658,144	1,065,919	317,284	2,969,681	2,724,509	72,112
Total All Federal Agencies		<u>\$ 40,815,848</u>	<u>\$ 8,651,817</u>	<u>\$ 3,441,839</u>	<u>\$ 7,997,786</u>	<u>\$ 25,177,840</u>	<u>\$ 20,621,893</u>

CARMAN-AINSWORTH COMMUNITY SCHOOLS
 NOTES/RECONCILIATION
 TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2022

FEDERAL REVENUE RECOGNIZED FOR SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	\$ <u>25,177,840</u>
FEDERAL REVENUE RECOGNIZED PER THE GENERAL PURPOSE FINANCIAL STATEMENTS	
General Fund	\$ 5,239,810
School Lunch Fund	2,724,512
Community Service fund	149,979
CRF TUITION PAYMENTS - NOT REPORTABLE ON SEFA	(149,979)
FEDERAL REVENUE RECOGNIZED IN CURRENT YEAR BECAUSE IT WAS UNAVAILABLE AT PRIOR YEAR END	(2,499,875)
FEDERAL REVENUE NOT RECOGNIZED IN CURRENT YEAR BECAUSE IT WAS UNAVAILABLE AT YEAR END	<u>19,713,393</u>
TOTAL REVENUE FROM FEDERAL SOURCES - AS REPORTED ON FINANCIAL STATEMENTS	\$ <u>25,177,840</u>

- 1) The Schedule of Expenditures of Federal Awards has been prepared under the modified accrual basis of accounting.
- 2) Management has utilized the Grant Auditor Report in preparing the Schedule of Expenditures of Federal Awards.
All differences between the Schedule of Expenditures of Federal Awards and the Grant Auditor Report have been reconciled in the attached reconciliation of this report.
- 3) The District has elected to not use the 10% de minimis indirect cost rate.

CARMAN-AINSWORTH COMMUNITY SCHOOLS
RECONCILIATION OF
GRANT AUDITOR REPORT
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Current Payments Per the Grant Auditor Report	\$ 5,853,034
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<u>Add:</u> Grants Passed Through the Genesee Intermediate School District	
Perkins - Vocational Education (CFDA 84.048)	18,796
Special Education - Grants to States (CFDA 84.027)	1,063,159
Medical Assistance Program Title XIX (CFDA 93.778)	10,857
 Direct Federal Aid - Early Head Start (CFDA 93.600)	 935,066
 Entitlement and Bonus Commodities (CFDA 10.550)	 <u>116,874</u>

TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	 \$ <u><u>7,997,786</u></u>
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CARMAN-AINSWORTH COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified?	Yes
Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes

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 the Uniform Guidance? Yes

Identification of major programs:

<i>A.L.N. Number(s)</i>	<i>Name of Federal Program of Cluster</i>
<i>84.010</i>	<i>Title I Cluster</i>
<i>84.027</i>	<i>IDEA Cluster</i>
<i>84.425C</i>	<i>COVID-19 - El. And Sec, School Emerg. Relief (ESSER) Formula</i>
<i>84.425D</i>	<i>COVID-19 - El. And Sec, School Emerg. Relief (ESSER) Formula</i>
<i>84.425U</i>	<i>COVID-19 - El. And Sec, School Emerg. Relief (ESSER) Formula</i>

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

Auditee qualified as low-risk auditee? No

CARMAN-AINSWORTH COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022

Section II - Financial Statement Findings

2022-001 Material Audit Adjustments

Finding Type Material Weakness in Internal Control Over Financial Reporting

Criteria: Generally Accepted Accounting Principles (GAAP) include procedures related to the accounting and recognition of property tax revenues in the appropriate District fund for which the property tax was levied.

Condition: Material audit adjustments were posted during the audit related to the proper recognition and allocation of property tax receipts to the various District funds. The adjustments were related to the allocations of one tax payment from a municipality and the allocation of the delinquent revolving fund payment from the County.

Cause The condition is a result of the tax distribution entries not being prepared or reviewed by someone familiar with proper accounting for property tax levies.

Effect: Material audit adjustments were required to reallocated tax revenues between the General, Debt Service, and Sinking Funds.

Questioned Costs: None

Recommendation: Additional controls and policies should be implemented to ensure that property tax allocation journal entries are reviewed and reconciled at year end.

View of Responsible Officials: The District Accountant and Assistant Superintendent will reconcile tax deposits monthly.

CARMAN-AINSWORTH COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022

Section II - Financial Statement Findings

2022-002 Material Audit Adjustments

Finding Type	The District did not record interfund payables and receivables for tax receipts deposited in the General Fund bank account but owed to the Debt Service Funds. As a result, cash and interfund payables and receivables were incorrectly recorded at year end, resulting in material misstatements within the General and Debt Service Funds, which required a material adjustment for the financial statements to be in accordance with GAAP.
Criteria:	Interfund payables and receivables should be recorded timely, when cash deposited and held in one fund is owed to another fund.
Condition:	The District did not timely record interfund payables and receivables for debt service property tax receipts deposited into the general fund bank account.
Cause	The District did not timely record interfund payables and receivables for debt service property tax receipts deposited into the general fund bank account.
Effect:	Cash at year and on an interim basis was overstated in the Debt Service Fund and understated in the General Fund. This accounting process did not impact the revenues recorded in the funds.
Questioned Costs:	None
Recommendation:	Interfund payables and receivables should be timely recorded when cash receipts are deposited in the general fund bank account and recorded as revenue in another fund.
View of Responsible Officials:	The District Accountant will deposit and record tax deposits between the General Fund, Building and Site Fund, and Debt Service Funds monthly. Assistant Superintendent will approve the monthly interfund payable and receivable journal entry.

**CARMAN-AINSWORTH COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022**

Section II - Financial Statement Findings

2022-003 Grant Accounting and Management

Finding Type: Significant Deficiency in Internal Control Over Financial Reporting

Criteria: Each grant should be reconciled on an annual basis to ensure that grant expenditures, grant revenues, deferred revenues, unavailable revenues, and grant receivable amounts reconcile and are properly reported in the general ledger. Prior year deferred revenues should be included in this reconciliation to ensure that current year revenues and drawdowns are appropriate and timely. Federal grant revenues in excess of expenditures should be recorded as deferred revenues at year end to conform with grant management principles.

Condition: Several audit adjustments were needed to correct balances of grant revenue, deferred revenue, and unavailable revenue at June 30, 2022, to be in accordance with generally accepted accounting principles. None of the adjustments were material to the general ledger.

Context: Grant revenue and expenditures, and related deferrals and receivables were not stated in accordance with generally accepted accounting principles.

Cause: Grant revenues and expenditures were not reconciled to deferred revenue, grant drawdowns, and receivables on a timely basis by someone with knowledge of the grants and the necessary accounting knowledge to report grant activity in accordance with GAAP.

Effect: Grant revenues and expenditures were not reconciled to deferred revenue, grant drawdowns, and receivables on a timely basis.

Questioned Costs: None

Recommendation: The District should ensure that grant programs and related revenues and expenditures are tracked and reconciled on an annual basis.

View of Responsible Officials: The District Business Manager and Assistant Superintendent will review quarterly for reasonableness.

**CARMAN-AINSWORTH COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022**

Section II - Financial Statement Findings

2022-004	Accounting Skills, Knowledge, and Expertise
Finding Type	Significant Deficiency in Internal Controls
Criteria:	The business office should have staff with sufficient GAAP accounting knowledge and expertise to maintain the accounting records; perform timely reconciliations; and manage the grant budgeting, accounting, and reporting processes.
Condition:	The only staff currently in the business office with accounting expertise is the Assistant Superintendent. He has many other duties and responsibilities which limit his time to efficiently and effectively operate and oversee the functions of the business office.
Cause	The business office is overseen by the Assistant Superintendent, who is the only person in the department with the necessary accounting knowledge. Given the size of the District and the number of grant programs which the business office manages, additional accounting expertise is needed in the business office to ensure the general ledger is compliant with GAAP, and all grants and accounts are reconciled on a timely basis.
Effect:	Due to the other responsibilities of the Assistant Superintendent, he is unable to provide the oversight, accounting knowledge and supervision of the department of operate efficiently and effectively.
Questioned Costs:	None
Recommendation:	The District needs to hire another person with sufficient accounting knowledge to handle the grant accounting and provide additional accounting expertise for the department. Given the size of the District, additional accounting expertise is required to operate efficiently and effectively.
View of Responsible Officials:	The District has hired a Business Manager effective May 1, 2023, to be responsible for the day-to-day grant accounting. The newly hired Business Manager has significant Michigan school accounting experience.

CARMAN-AINSWORTH COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022

Section II - Financial Statement Findings

2022-005 Audit Filing Compliance Requirements

Finding type: Material Noncompliance

Criteria: The District is required to file its June 30, 2022 audited financial statements and Uniform Guidance compliance audit with the Michigan Department of Education by November 1, 2022.

Condition: The District was unable to meet the State filing requirements.

Cause: Due to the accounting deficiencies more fully described in Finding 2022-001, 2002-002, and 2022-003, the District was unable to meet the filing requirement.

Effect: Since the District was unable to file their audit report timely, the State of Michigan has withheld state aid payments normally made on a monthly basis, for the months subsequent to October 2022 up until the date of this audit report.

Questioned Costs: None

Recommendation: Sufficient accounting personnel should be dedicated to the process to ensure that accurate financial records are completed in a timeframe that would allow the audit to be completed by November first each year.

View of Responsible The District has hired a Business Manager effective May 1, 2023 to be responsible for the day-to-day grant accounting.
Officials: This new position will be responsible for ensuring that accounting financial records are complete for the annual audit and timely filing with the State.

CARMAN-AINSWORTH COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022

Section III - Federal Award Findings and Questioned Costs

2022-006 Cash Management

Finding Type: Significant Deficiency in Internal Controls Over Compliance

Program Names: Early Head Start (#93.600)

Criteria: Cash management principles require that costs are incurred before reimbursement is requested, or related cost disbursements are made shortly after the grant draw down is received. The grant reimbursement should be based on actual costs as evidenced by actual invoices, general ledger detail, or other supporting data.

Condition: The District did not maintain supporting documentation for interim grant drawdowns made during the year. Grant revenues were not reconciled with general ledger grant expenditures until year end. When reconciled at year end, \$3,505 was overdrawn and due back to the State of Michigan.

Context: The District did not have a system in place to properly support grant drawdowns made on an interim basis during the year. As a result interim grant drawdowns may not have reflected actual cash disbursements incurred before or shortly after the drawdown.

Cause: The District did not have a system in place to properly support grant drawdowns made on an interim basis during the year.

Effect: Audit adjustments were required at year end to record amounts due back to the State for overdrawn grant reimbursements.

Questioned Costs: None

Recommendation: The District should base interim grant draw downs on actual general ledger expenditures and other supporting data and maintain that documentation to support the drawdown amount.

View of Responsible Officials: Assistant Superintendent will approval all drawdowns and record documentation in grant notebook

CARMAN-AINSWORTH COMMUNITY SCHOOLS
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022

Findings related to the financial statements reported in accordance with *Government Auditing Standards*:

2021-001 Cash Management

Status at March 30, 2023

Finding 2021-1

Certain program costs were fully funded through grant reimbursement drawdowns when initially purchased. Subsequent to the purchase date, the District received a federally funded rebate of \$153,318 based on the purchase price. Future cash requests were not reduced by the amount of the rebate received, and cash was drawn down in excess of expenditures for the ESSER program. Procedures have been put in place to account for possible reimbursements received when processing subsequent drawdowns. We consider this finding to be resolved.