

Carman-Ainsworth Community Schools
Audited Financial Statements

June 30, 2023

Prepared by Taylor & Morgan, P.C.

G-2302 Stonebridge Dr., Building D
Flint, Michigan 48532
Office 810.230.8200 Fax 810.230.8203

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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, 2023, 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, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 2023 the District adopted new accounting guidance, GASB Statement No. 96, *Subscription-based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

BRIGHTON, MICHIGAN

FLINT, MICHIGAN

FLINT OFFICE

G-2302 STONEBRIDGE DR., BUILDING D
FLINT, MICHIGAN 48532
OFFICE 810.230.8200 FAX 810.230.8203

TROY, MICHIGAN

CHARLOTTE, NORTH CAROLINA

forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

Other Supplemental 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 accompanying other supplemental information, as identified in the table of contents, including the schedule of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other

additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information, including the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2024, 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 14, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

Carman-Ainsworth Community Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023

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, 2023.

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 are 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 (\$24,535,443) at June 30, 2023. Of this amount, \$2,498,813 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, 2023, with comparative totals for June 30, 2022:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Assets	\$ 77,146,705	\$ 80,457,067
Deferred outflows of resources	30,727,044	16,410,795
Liabilities	116,565,980	83,635,091
Deferred inflows of resources	15,843,212	39,423,858
Net Position:		
Net Investment in capital assets	32,915,138	30,790,477
Restricted	2,498,813	1,908,697
Unrestricted	(59,949,394)	(58,890,261)
Total net position	\$ <u>(24,535,443)</u>	\$ <u>(26,191,087)</u>

Carman-Ainsworth Community Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023

The \$(59,949,394) 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, 2023, the net increase in accumulated depreciation was \$1,711,503.
- Capital acquisitions
Capital outlay (net of disposals) for the year ended June 30, 2023, totaled \$1,391,164. Combined with current year depreciation and the effect of disposals, net capital assets decreased by \$320,339.
- Debt Repayment
The District levied property taxes for the specific purpose of retiring debt. The collection of these taxes and, the resulting 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 \$2,445,000 of long-term debt in the current year.
- GASB 68 adjustment
Adjustments were made to the government-wide statements including a increase in pension expense totaling \$933,771.
- GASB 75 adjustment
Adjustments were made to the government-wide statements including a decrease in OPEB expense totaling \$4,251,615.

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, 2023 and 2022, are as follows:

	June 30, 2023	June 30, 2022
General revenue		
Property taxes levied for general operation	\$ 7,151,613	\$ 6,800,780
State of Michigan aid, unrestricted	27,555,456	26,412,003
Property Taxes levied for debt service	3,279,193	3,087,669
Property Taxes levied for building & site	398,560	375,169
Investment earnings	71,206	8,050
Other – federal, state and local	325,352	314,255
Total general revenue	<u>38,781,380</u>	<u>36,997,926</u>
Program revenue		
Charges for services – local	1,070,234	866,228
Operating grants – federal and state	23,517,415	35,587,630
Total revenues	<u>63,369,029</u>	<u>73,451,864</u>
Expenses		
Instruction	35,877,192	27,597,228
Support services	20,658,075	16,421,758
Community services	493,598	310,397
Food services	2,605,622	2,181,118
Student activities	308,743	270,917
Capital projects	-	219,949
Interest on long-term debt	294,438	371,888
Depreciation (unallocated)	1,475,637	1,460,845
Net position – July 1	(26,191,167)	(50,808,851)
Net position – June 30	<u>\$ (24,535,443)</u>	<u>\$ (26,191,167)</u>

Carman-Ainsworth Community Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023

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, 2023, 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 \$74.5 million. This is more than the original budget estimate of \$53.1 million, and more than the final amended budgeted amount of \$59.0 million, a variance of 26.3%. The variance between the actual revenues and the original and final revenue budgets is due primarily to recognition of unavailable revenue from the prior year.

The actual expenditures and other financing uses of the General Fund were \$60.5 million. This is more than the original budget of \$59.1 million and less than the final estimates of \$64.0 million, a variance of 5.5%. The variance between the actual General Fund expenditures and the original and final expenditure budgets is due primarily to lower than budgeted added needs and lower than budgeted operational costs.

The fund balance was \$21.0 million at June 30, 2023, which is an increase of \$13.9 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 2022-23 included the addition of locks on doors at the middle school and high school, buses, technology upgrades, and exterior doors at the elementaries.

GOVERNMENTAL FUND EXPENDITURES

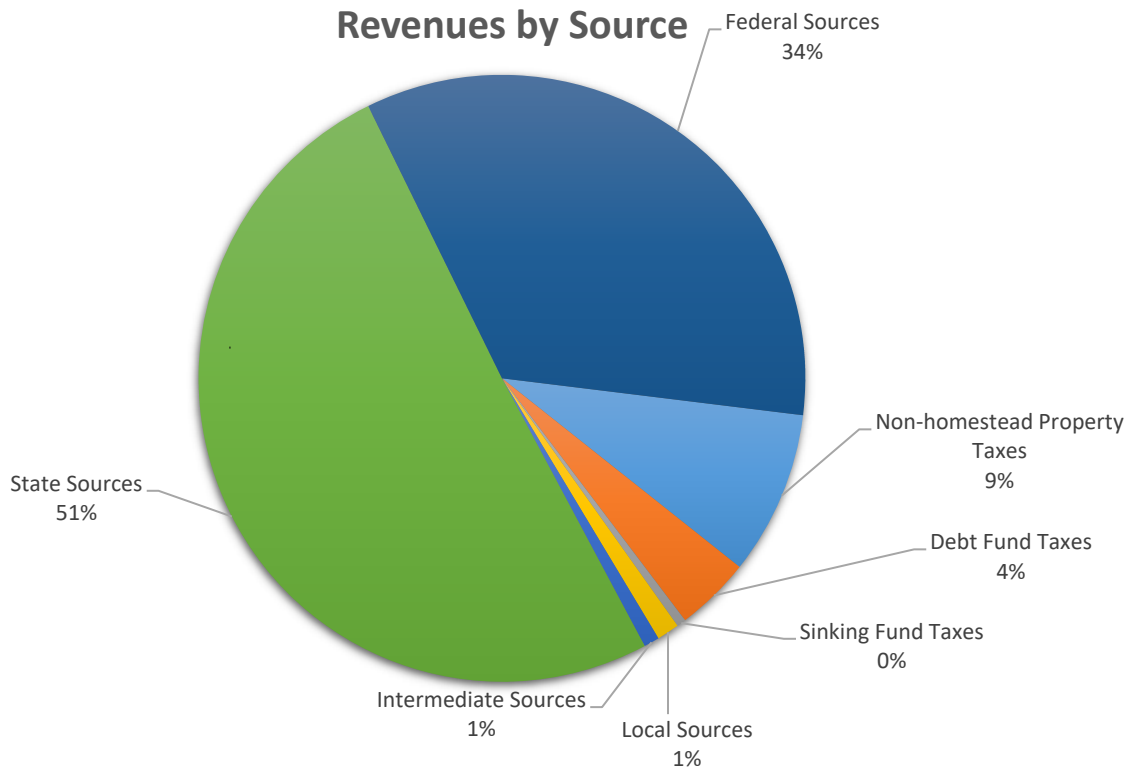
The following chart illustrates that the General Fund comprises 90% of all the expenditures within the governmental funds of the School District. As of June 30, 2023, expenditures totaled \$67.4 million for all District programs. The ending fund balance for all funds was \$24.2 million. The General Fund had a \$21.0 million fund balance as of June 30, 2023.

	Expenditures June 30, 2023 (in millions)	% of Total	Fund Balance June 30, 2023 (in millions)
General Fund	\$ 60.55	90 %	\$ 21.03
Other Non-major Funds	6.87	10	3.13
Total	\$ 67.42	100 %	\$ 24.16

Carman-Ainsworth Community Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023

TOTAL REVENUES

Revenues for all governmental funds totaled \$81.8 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 \$9,150 for 2022-23. State Aid membership was computed in the 2022-23 school year with a blended count of 90% of the fall 2022 and 10% of spring 2023 count.

Carman-Ainsworth Community Schools' state aid membership for the 2022-23 school year was 3,829, a decrease of 81 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 2022-23 Non-Homestead property tax levy totaled approximately \$7.2 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 \$3.3 million.

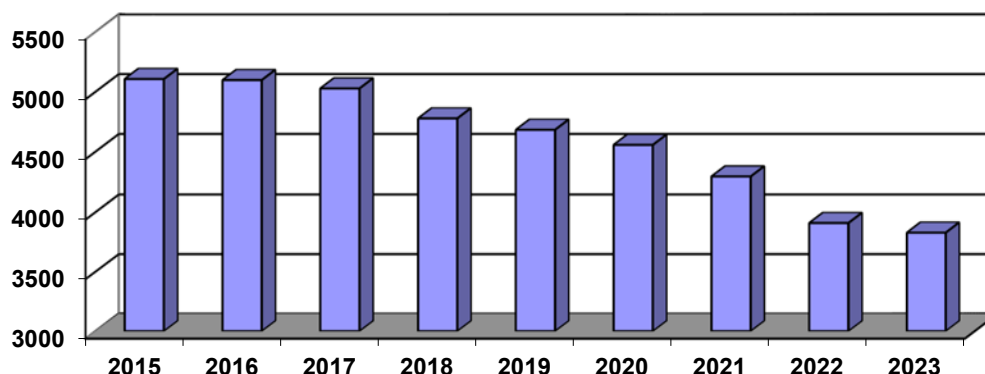
Carman-Ainsworth Community Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023

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 \$.40 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, 2023, the gross per-pupil allowance or Foundation Allowance was \$9,150. The District participated in the State's Section 105 student choice program. The District's 2022-23 state aid membership totaled 3,829 students. This is a decrease in student membership of 81 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 2023, the District had \$ 93.95 million invested in land and buildings, furniture and equipment, and vehicles and buses. Of this amount, \$48.87 million has been depreciated. Net book value totaled \$45.08 million. Total additions for the year were \$1,391,164 and were comprised of the addition of locks on doors at the middle school and high school, buses, technology upgrades, and exterior doors at the elementaries. 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	42.24
Furniture and Equipment	.40
Vehicles & Buses	.90
Total	<u>\$ 45.08</u>

Carman-Ainsworth Community Schools
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2023

Outstanding debt at year-end

The District had the following outstanding debt at June 30, 2023

2016 Refunding Bond Issue	\$	6,805,000
2021 Refunding Bond Issue		<u>5,355,000</u>
Total	\$	<u><u>12,160,000</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, 2023

Assets		
Cash, cash equivalents and investments	\$	21,979,799
Due from other governmental units		9,974,375
Accounts receivable		33,958
Inventory		62,584
Deposits receivable		15,000
Prepaid costs		5,851
Capital assets		
Land		1,535,200
Buildings and improvements		80,428,922
Furniture and equipment		8,545,735
Buses and vehicles		3,440,697
Less: accumulated depreciation		<u>(48,875,416)</u>
Net capital assets		<u>45,075,138</u>
Total Assets		77,146,705
Deferred Outflows of Resources		
Deferred OPEB amounts		6,333,333
Deferred pension amounts		<u>24,393,711</u>
Total Deferred Outflows of Resources		30,727,044
Liabilities		
Accounts payable		452,975
Salaries and fringes payable		5,430,359
Due to other governmental units		4,207
Deferred revenue		741,905
Accrued interest on long-term debt		75,300
Long-term liabilities		
Due within 1 year		2,774,742
Due in more than 1 year:		
Net pension liability		91,920,227
Net OPEB liability		5,084,166
Other		<u>10,082,099</u>
Total Liabilities		116,565,980
Deferred Inflows of Resources		
Bond premium on bond refunding		418,008
Deferred OPEB amounts		11,677,627
Deferred pension amounts		<u>3,747,577</u>
Total Deferred Inflows of Resources		15,843,212
Net Position		
Invested in capital assets, net of related debt		32,915,138
Restricted for:		
Debt service		1,035,715
Capital projects		(1,648)
Food service		1,170,506
Student activity		294,240
Unrestricted (deficit)		<u>(59,949,394)</u>
Total Net Position (Deficit)	\$	<u><u>(24,535,443)</u></u>

See accompanying notes to basic financial statements.

CARMAN-AINSWORTH COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

		Program Revenues		Net (Expense)
		Charges for	Operating	Revenue and
	Expenses	Services	Grants and	Changes in
			Contributions	Net Position
Functions/Programs				
Governmental Activities				
Instruction	\$ 35,877,192	\$ -	\$ 14,216,627	\$ (21,660,565)
Support services	20,658,075	432,390	6,325,807	(13,899,878)
Food services	2,605,622	51,117	2,653,472	98,967
Community services	493,598	279,133	321,509	107,044
Student activity	308,743	307,594	-	(1,149)
Capital projects	-	-	-	-
Interest on long-term debt net of amortization of debt issue				
discounts and other costs	294,438	-	-	(294,438)
Unallocated depreciation (See Note 4)	1,475,637	-	-	(1,475,637)
Total governmental activities	\$ <u>61,713,305</u>	\$ <u>1,070,234</u>	\$ <u>23,517,415</u>	(37,125,656)
General Purpose Revenues				
Property tax				10,829,366
State school aid - unrestricted				27,555,456
Investment earnings				71,206
Miscellaneous				<u>325,352</u>
Total general revenue				<u>38,781,380</u>
Change in net position				1,655,724
Net position (deficit) - July 1				<u>(26,191,167)</u>
Net position (deficit) - June 30				\$ <u><u>(24,535,443)</u></u>

See accompanying notes to basic financial statements.

CARMAN-AINSWORTH COMMUNITY SCHOOLS
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets			
Cash, cash equivalents and investments	\$ 18,682,863	\$ 3,296,936	\$ 21,979,799
Due from other governmental units	9,897,408	76,967	9,974,375
Accounts receivable	33,958	-	33,958
Due from other funds	182,568	-	182,568
Inventory	17,202	45,382	62,584
Deposit receivable	15,000	-	15,000
Prepaid costs	5,851	-	5,851
Total Assets	\$ 28,834,850	\$ 3,419,285	\$ 32,254,135
Liabilities and Fund Balance			
Liabilities			
Accounts payable	\$ 421,089	\$ 31,886	\$ 452,975
Due to other funds	-	182,568	182,568
Due to other governmental units	4,207	-	4,207
Salaries and fringes payable	5,359,104	71,255	5,430,359
Deferred revenue	741,905	-	741,905
Total Liabilities	6,526,305	285,709	6,812,014
Deferred Inflows of Resources			
Unavailable Revenue	1,280,111	-	1,280,111
Total Liabilities and Deferred Inflows of Resources	7,806,416	285,709	8,092,125
Fund Balance			
Non-spendable	38,053	45,382	83,435
Restricted for:			
Capital projects	-	416,360	416,360
Debt service	-	1,111,015	1,111,015
Food service	-	1,125,124	1,125,124
Student activity	-	294,240	294,240
Assigned	5,590,386	141,455	5,731,841
Unassigned	15,399,995	-	15,399,995
Total Fund Balance	21,028,434	3,133,576	24,162,010
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 28,834,850	\$ 3,419,285	\$ 32,254,135

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, 2023

Total Governmental Fund Balances		\$ <u>24,162,010</u>
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 capital assets	\$ 93,950,554	
Accumulated depreciation	<u>(48,875,416)</u>	
Total net assets		45,075,138
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.		1,280,111
Deferred outflows of resources resulting from GASB Statement No. 68		24,393,711
Deferred outflows of resources resulting from GASB Statement No. 75		6,333,333
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	\$ (12,160,000)	
Compensated absences payable	(692,515)	
Worker's compensation payable	(4,326)	
Net pension liability	(91,920,227)	
Net OPEB liability	<u>(5,084,166)</u>	
Total long-term liabilities		(109,861,234)
Deferred inflows of resources resulting from debt refunding		(418,008)
Pension deferred inflows of resources resulting from GASB Statement No. 68		(3,747,577)
Other post-employment benefits (OPEB) deferred inflows of resources resulting from GASB Statement No. 75		(11,677,627)
In the statement of net position, interest has been accrued on bonds payable in the current year.		<u>(75,300)</u>
Total net position - governmental activities		\$ <u><u>(24,535,443)</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, 2023

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues			
Property taxes	\$ 7,151,613	\$ 3,677,753	\$ 10,829,366
Other local sources	319,246	660,738	979,984
Intermediate sources	680,527	-	680,527
State sources	41,093,116	237,868	41,330,984
Federal sources	25,132,569	2,860,363	27,992,932
Total revenues	74,377,071	7,436,722	81,813,793
Current Expenditures			
Instruction			
Basic programs	30,428,085	-	30,428,085
Added needs	7,597,635	-	7,597,635
Total instruction	38,025,720	-	38,025,720
Support services			
Pupil services	5,165,556	-	5,165,556
Instructional staff services	2,764,763	-	2,764,763
General administration	851,303	-	851,303
School administration	3,092,584	-	3,092,584
Business services	506,746	-	506,746
Operation and maintenance	4,973,669	-	4,973,669
Pupil transportation	2,522,914	-	2,522,914
Central services	1,854,522	-	1,854,522
Athletics	607,124	-	607,124
Community services	184,923	-	184,923
Other supporting services	-	3,389,690	3,389,690
Total support services	22,524,104	3,389,690	25,913,794
Capital projects			
Capital outlay and other costs	-	490,047	490,047
Total capital outlay and other costs	-	490,047	490,047
Debt service			
Principal	-	2,445,000	2,445,000
Interest and fiscal charges	-	549,600	549,600
Total debt service	-	2,994,600	2,994,600
Total expenditures	60,549,824	6,874,337	67,424,161
Excess/(deficiency) of revenues over/(under) expenditures	13,827,247	562,385	14,389,632
Other financing sources/(uses)			
Operating transfers	120,307	(120,307)	-
Excess/(deficiency) of revenues over/(under) expenditures and other financing sources/(uses)	13,947,554	442,078	14,389,632
Fund balance - July 1	7,080,880	2,691,498	9,772,378
Fund balance - June 30	\$ 21,028,434	\$ 3,133,576	\$ 24,162,010

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, 2023

Total net change in fund balances - governmental funds		\$ 14,389,632
Amounts reported for governmental activities in the statement of activities are different because:		
Capital Outlay	\$ 1,391,164	
Depreciation Expense	<u>(1,711,503)</u>	(320,339)
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. Amount is the difference in unavilable revenue compared to the prior year.		(18,444,764)
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.		2,445,000
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.		13,189
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.		(933,771)
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.		4,251,615
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
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>16,300</u>
Change in net position of governmental activities		<u>\$ 1,655,724</u>

See accompanying notes to basic financial statements.

CARMAN-AINSWORTH COMMUNITY SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2023

	<u>Trust Funds</u>
Assets	
Cash and cash equivalents	\$ <u>56,926</u>
Total assets	\$ <u><u>56,926</u></u>
Liabilities	
Total liabilities	\$ <u>-</u>
Assets held in trust for other purposes	\$ <u><u>56,926</u></u>

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

	<u>Trust Funds</u>
Additions	
Gifts, contributions and interest	\$ -
Deductions	
Scholarships awarded	<u>(5,999)</u>
Change in Net Assets	(5,999)
Net Position - July 1	<u>62,925</u>
Net Position- June 30	\$ <u><u>56,926</u></u>

See accompanying notes to basic financial statements.

NOTES TO FINANCIAL STATEMENTS

CARMAN-AINSWORTH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023 and 2022, amounted to \$120,307 and \$185,161, 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, 2023

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, 2023

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, 2023

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, 2027
Education Association	June 30, 2027
Transportation Association	June 30, 2024
CMOPP Contract	June 30, 2027
Food Service Employees	June 30, 2028

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 \$40 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, 2023 and 2022, was \$647,087 and \$674,053, 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, 2023 and 2022, amounted to \$45,428 and \$34,384 respectively.

Economic Dependency – The district received approximately 64% 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, 2023

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 and Subscriptions Based IT Arrangements (SBITA)

The District recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements. The District recognizes lease/SBITA liabilities with an initial, individual value of \$140,000 or more. Currently, the district does not have any leases/SBITA that reach this threshold.

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

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

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

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

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

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.

CARMAN-AINSWORTH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 2 - Budget and Budgetary Accounting (continued)

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
Basic Programs	\$ 30,260,693	\$ 30,428,085	\$ 167,392
Pupil Services	\$ 5,115,932	\$ 5,165,556	\$ 49,624
Pupil Transportation	\$ 2,493,924	\$ 2,522,914	\$ 28,990
Central Services	\$ 1,709,056	\$ 1,854,522	\$ 145,466

The final amended budget anticipated expenditures exceeding revenues by \$4,986,798. Actual revenues exceeded expenditures by \$13,947,554, a variance of \$18,934,352.

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.

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).

CARMAN-AINSWORTH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 3 - Deposits and Investments (continued)

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, 2023, the District had \$25,894,266 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, 2023, the District had the following investments:

Investment Type	Fund	Fair Value	Average Credit Quality/Rating	Percent of Total
Michigan CLASS Pool	General Fund	\$ 64,086	AAAm	16.62 %
Michigan CLASS Pool	Capital Projects Fund	\$ 321,586	AAAm	83.38 %
Total		<u>385,672</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:

	General Fund	Special Revenue Funds	Total
To:	\$ 120,307	\$ -	\$ 120,307
From:	\$ -	\$ 120,307	\$ 120,307

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

Inter-fund receivable and payable balances as of June 30, 2023, are as follows:

	Due to Other Funds	Due from Other Funds
Major funds	\$ -	\$ 182,568
Non-major funds	182,568	-
Total	<u>\$ 182,568</u>	<u>\$ 182,568</u>

CARMAN-AINSWORTH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 5 – 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.

Note 6 - Changes in Capital Assets

Summary of capital asset transactions:

	Balance July 1, 2022	Additions	Disposals & Adjustments	Balance June 30, 2023
Assets not being depreciated:				
Land	\$ 1,535,200	\$ -	\$ -	\$ 1,535,200
Assets being depreciated:				
Buildings & additions	79,758,779	670,143	-	80,428,922
Furniture & equipment	8,131,166	414,569	-	8,545,735
Buses & other vehicles	3,134,245	306,452	-	3,440,697
Subtotal	91,024,190	1,391,164	-	92,415,354
Accumulated depreciation:				
Buildings & additions	36,701,327	1,491,659	-	38,192,986
Furniture & equipment	8,041,105	108,112	-	8,149,217
Buses & other vehicles	2,421,481	111,732	-	2,533,213
Subtotal	47,163,913	1,711,503	-	48,875,416
Net capital assets	\$ 45,395,477	\$ (320,339)	\$ -	\$ 45,075,138

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	\$ 11,042
Support services	209,519
Food service	15,305
Unallocated	1,475,637
Total depreciation expense	\$ 1,711,503

Note 7 - Long-Term Debt

The following is a summary of long-term debt transactions for the year ended June 30, 2023:

	Compensated Absences	Bonded Debt	Worker's Comp Liability	Total
Balance July 1, 2022	\$ 708,438	\$ 14,605,000	\$ 1,592	\$ 15,315,030
Additions	-	-	11,872	11,872
Less: retirements & payments	(15,923)	(2,445,000)	(9,138)	(2,470,061)
Balance June 30, 2023	692,515	12,160,000	4,326	12,856,841
Less: current portion	(103,877)	(2,670,000)	(865)	(2,774,742)
Total due after one year	\$ 588,638	\$ 9,490,000	\$ 3,461	\$ 10,082,099

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 \$692,515 as of June 30, 2023. This amount has been reported as a liability in the Statement of Net Position.

CARMAN-AINSWORTH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 7 - Long-Term Debt (continued)

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 these bonds was \$6,805,000 at June 30, 2023.

On March 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 \$5,355,000 at June 30, 2023.

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, 2023, the Debt Service Funds had a balance of \$1,111,015 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
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	\$ 12,160,000	\$ 1,138,200	\$ 13,298,200

The payment dates of compensated absences are indeterminable.

Interest expenditures for the year ended June 30, 2023, in the Capital Projects and Debt Service Funds were \$0 and \$549,600 respectively.

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.

CARMAN-AINSWORTH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 8 – Risk Management (continued)

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

		For the Year Ended June 30, 2023
Accrued claims, July 1, 2022	\$	1,592
Incurred claims		11,872
Less: claim payments		<u>(9,138)</u>
Accrued claims, June 30, 2023	\$	<u>4,326</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	\$	62,584
Deposits receivable		15,000
Prepaid costs		<u>5,851</u>
Total non-spendable	\$	<u>83,435</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	\$	416,360
Debt retirement		1,111,015
Student activity		294,240
Food service		<u>1,125,124</u>
Total restricted	\$	<u>2,946,739</u>

Committed fund balance represents constrained amounts imposed by school board resolution. The District had no amounts committed at June 30, 2023.

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 2023-24 General Fund budget whereby expenditures exceeded revenues by \$5,590,386.

Assigned fund balances as of June 30, 2023:

General fund	\$	5,590,386
Community service fund		<u>141,455</u>
Total assigned	\$	<u>5,731,841</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.

CARMAN-AINSWORTH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

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, 2021,

CARMAN-AINSWORTH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 11 – Defined Benefit Pension Plan (continued)

Contributions (continued)

valuation will be amortized over an 17 year period beginning October 1, 2021 and ending September 30, 2038.

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

Pension Contribution Rates

Benefit Structure	Member	Employer
Basic	0.0 - 4.0 %	20.14 %
Member Investment Plan	3.0 - 7.0 %	20.14 %
Pension Plus	3.0 - 6.4 %	17.22 %
Pension Plus 2	6.2 %	19.93 %
Defined Contribution	0.0 %	13.73 %

Required contributions to the pension plan from the District were \$8,318,774 for the year ended September 30, 2022.

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

At June 30, 2023, The District reported a liability of \$91,920,227 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 30, 2021. 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, 2022, the District's proportion was .2444 percent, which was a decrease of .0044 percent from its proportion measured as of September 30, 2021.

For the year ended June 30, 2023, the District recognized total pension expense of \$9,314,713. At June 30, 2023, 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	\$ 919,523	\$ 205,524
Changes of assumptions	15,795,189	-
Net difference between projected and actual earnings on pension plan investments	215,553	-
Changes in proportion and differences between District contributions and proportionate share of contributions	-	3,542,053
District contributions subsequent to the measurement date	7,463,446	-
Total	\$ 24,393,711	\$ 3,747,577

CARMAN-AINSWORTH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 11 – Defined Benefit Pension Plan (continued)

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:
2023	\$3,217,819
2024	\$2,367,476
2025	\$2,449,773
2026	\$5,147,620

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, 2021
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return	
- MIP and Basic Plans:	6.00% Net of investment expenses
- Pension Plus Plan:	6.00% Net of investment expenses
- Pension Plus 2 Plan:	6.00% Net of investment expenses
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members

Mortality:	Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using 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.

CARMAN-AINSWORTH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 11 – Defined Benefit Pension Plan (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 pension liability as of September 30, 2022, is based on the results of an actuarial valuation date of September 30, 2021, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.3922
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2022 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 %	5.1 %
Private Equity Pools	16.0	8.7
International Equity	15.0	6.7
Fixed Income Pools	13.0	(0.2)
Real Estate and Infrastructure Pools	10.0	5.3
Absolute Return Pools	9.0	2.7
Real Return/Opportunistic Pools	10.0	5.8
Short Term Investment Pools	2.0	(0.5)
TOTAL	<u>100.0 %</u>	

*Long term rate of return are net of administration expenses and 2.2% inflation.

Rate of Return

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

Discount Rate

A discount rate of 6.00% was used to measure the total pension liability (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan). This discount rate was based on the long term expected rate of return on pension plan investments of 6.00% (6.00% for the Pension Plus plan, 6.00% for the pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, 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.

CARMAN-AINSWORTH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 11 – Defined Benefit Pension Plan (continued)

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 6.00% (6.00% for the Hybrid Plan, 6.00% 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:

Current Single Discount Rate		
1% Decrease 5.0%*	Assumption 6.0%	1% Increase 7.0%
\$121,300,551	\$91,920,227	\$67,709,517

*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 ACFR, 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.

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

CARMAN-AINSWORTH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

Benefits Provided (continued)

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

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

OPEB Contribution Rates

Benefit Structure	Member	Employer
Premium Subsidy	3.00 %	8.09 %
Personal Healthcare Fund (PHF)	0.00 %	7.23 %

Required contributions to the OPEB plan from the District were \$1,828,454 for the year ended September 30, 2022.

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

At June 30, 2023, The District reported a liability of \$5,084,166 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 30, 2021. 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, 2022, the District's proportion was .24004 percent, which was a decrease of .00563 percent from its proportion measured as of October 1, 2021.

CARMAN-AINSWORTH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

For the year ended June 30, 2023, the District recognized total OPEB expense of (\$2,496,387). At June 30, 2023, 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	\$ -	\$ 9,957,934
Changes of assumptions	4,531,680	368,995
Net difference between projected and actual earnings on OPEB plan investments	397,368	-
Changes in proportion and differences between District contributions and proportionate share of contributions	23,589	1,350,698
District contributions subsequent to the measurement date*	1,380,696	-
Total	\$ 6,333,333	\$ 11,677,627

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

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

Year Ending June 30,	Amount:
2023	(\$2,375,146)
2024	(\$2,056,275)
2025	(\$1,844,709)
2026	(\$267,012)
2027	(\$168,128)
Thereafter	(\$13,720)

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.

CARMAN-AINSWORTH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Actuarial Assumptions

Valuation Date	September 30, 2021
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return	6.00%
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; 3.5% 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

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, 2022, is based on the results of an actuarial valuation date of September 30, 2021, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 6.2250
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2022 MPERS Comprehensive Annual Financial Report found in the ORS website at www.michigan.gov/orsschools.

CARMAN-AINSWORTH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

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 %	5.1 %
% Alternative Investment Pools	16.0	8.7
International Equity	15.0	6.7
Fixed Income Pools	13.0	(0.2)
Real Estate and Infrastructure Pools	10.0	5.3
Absolute Return Pools	9.0	2.7
Real return/Opportunistic Pools	10.0	5.8
Short Term Investment Pools	2.0	(0.5)
TOTAL	<u>100.0 %</u>	

**Long-term rate of returns are net of administrative expenses and 2.2% inflation.*

Rate of Return

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

Discount Rate

A discount rate of 6.00% was used to measure the total OPEB liability. This discount rate was based on the long term expected rate of return on OPEB plan investments of 6.00%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on 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 6.00%, 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
5.00%	6.00%	7.00%
\$8,528,200	\$5,084,166	\$2,183,863

CARMAN-AINSWORTH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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

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
\$2,129,066	\$5,084,166	\$8,401,393

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued 2022 MPSERS ACFR, available on the ORS website at 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, 2023, the District had \$1,280,111 in unavailable revenue from federal grants, and at June 30, 2022, the District had \$19,724,875 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, 2023.

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 14, 2024, which is the date the financial statements were available to be issued.

Note 16 – Upcoming Accounting Pronouncements

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

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

CARMAN-AINSWORTH COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Note 17 – Change in Accounting Principle

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

Summary:

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. 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, 2023

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Local sources	\$ 7,266,881	\$ 7,266,881	\$ 7,459,271	\$ 192,390
State sources	37,248,674	40,035,314	41,093,116	1,057,802
Federal sources	7,254,890	10,385,810	25,132,569	14,746,759
Interdistrict sources	<u>1,067,270</u>	<u>1,039,088</u>	<u>680,527</u>	<u>(358,561)</u>
Total revenues	52,837,715	58,727,093	74,365,483	15,638,390
Expenditures				
Education				
Instruction				
Basic programs	27,157,838	30,260,693	30,428,085	(167,392)
Added needs	8,850,527	9,139,169	7,597,635	1,541,534
Supporting services				
Pupil services	4,646,852	5,115,932	5,165,556	(49,624)
Instructional staff	2,777,952	3,163,390	2,764,763	398,627
General administration	980,505	983,205	851,303	131,902
School administration	3,265,163	3,265,163	3,092,584	172,579
Business services	721,424	777,924	506,746	271,178
Operation and maintenance	5,159,057	5,620,824	4,973,669	647,155
Pupil transportation	2,505,590	2,493,924	2,522,914	(28,990)
Central services	1,637,362	1,709,056	1,854,522	(145,466)
Athletics	800,000	800,000	607,124	192,876
Community services	<u>241,818</u>	<u>222,213</u>	<u>184,923</u>	<u>37,290</u>
Total expenditures	<u>58,744,088</u>	<u>63,551,493</u>	<u>60,549,824</u>	<u>3,001,669</u>
Excess/(deficiency) of revenues over/(under) expenditures	(5,906,373)	(4,824,400)	13,815,659	18,640,059
Other financing sources/(uses)				
Other financing sources	250,000	250,000	131,895	(118,105)
Other financing uses	<u>(411,038)</u>	<u>(412,398)</u>	<u>-</u>	<u>412,398</u>
Total other financing sources/(uses)	<u>(161,038)</u>	<u>(162,398)</u>	<u>131,895</u>	<u>294,293</u>
Excess/(deficiency) of revenues over/(under) expenditures and other financing sources/(uses)	(6,067,411)	(4,986,798)	13,947,554	18,934,352
Fund balance - July 1	<u>7,080,880</u>	<u>7,080,880</u>	<u>7,080,880</u>	<u>-</u>
Fund balance - June 30	<u>\$ 1,013,469</u>	<u>\$ 2,094,082</u>	<u>\$ 21,028,434</u>	<u>\$ 18,934,352</u>

CARMAN-AINSWORTH COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTAL INFORMATION
PENSION PLAN INFORMATION
JUNE 30, 2023

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of net pension liability (%)	0.24441%	0.24884%	0.25773%	0.26617%	0.27094%	0.27686%	0.29358%	0.29559%	0.29652%
District's proportionate share of net pension liability	\$ 91,920,227	\$ 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	\$ 22,964,944	\$ 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	400.26%	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	60.77%	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**

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions	\$ 8,587,801	\$ 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	\$ 8,587,801	\$ 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	\$ 19,511,900	\$ 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	44.01%	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.

Change of benefit terms: There were no changes to benefit terms in FY 2022.

Changes of benefit assumptions in FY 2022:

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

CARMAN-AINSWORTH COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTAL INFORMATION
OPEB PLAN INFORMATION
JUNE 30, 2023

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

	2022	2021	2020	2019	2018	2017
District's proportion of net OPEB liability (%)	0.24004%	0.24560%	0.25150%	0.26371%	0.26806%	0.27707%
District's proportionate share of net OPEB liability	\$ 5,084,166	\$ 3,749,962	\$ 13,473,785	\$ 18,928,340	\$ 21,307,738	\$ 24,535,760
District's covered-employee payroll	\$ 22,964,944	\$ 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	22.14%	17.11%	60.86%	82.49%	93.63%	109.32%
Plan fiduciary net position as a percentage of total OPEB liability	83.09%	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**

	2023	2022	2021	2020	2019	2018
Statutorily required OPEB contributions	\$ 1,835,994	\$ 1,852,150	\$ 1,776,944	\$ 1,810,644	\$ 1,806,848	\$ 1,761,808
OPEB Contributions in relation to statutorily required contributions	\$ 1,835,994	\$ 1,852,150	\$ 1,776,944	\$ 1,810,644	\$ 1,806,848	\$ 1,761,808
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 19,511,900	\$ 23,008,249	\$ 21,560,048	\$ 22,437,380	\$ 22,894,698	\$ 22,703,978
OPEB Contributions as a percentage of covered-employee payroll	9.41%	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.

Change of benefit terms: There were no changes to benefit terms in FY 2022.

Changes of benefit assumptions in FY 2022:

Discount rate decreased to 6.00% from 6.95%.

OTHER SUPPLEMENTAL INFORMATION

CARMAN-AINSWORTH COMMUNITY SCHOOLS
 OTHER SUPPLEMENTAL INFORMATION
 COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2023

	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	\$ 1,309,691	\$ 143,332	\$ 295,437	\$ 437,461	\$ 1,111,015	\$ 3,296,936
Due from other governmental units	76,967	-	-	-	-	76,967
Inventory	45,382	-	-	-	-	45,382
Total Assets	\$ 1,432,040	\$ 143,332	\$ 295,437	\$ 437,461	\$ 1,111,015	\$ 3,419,285
Liabilities						
Accounts payable	\$ 10,785	\$ -	\$ -	\$ 21,101	\$ -	\$ 31,886
Due to other funds	181,371	-	1,197	-	-	182,568
Salaries and fringes payable	69,378	1,877	-	-	-	71,255
Total Liabilities	261,534	1,877	1,197	21,101	-	285,709
Fund Balance						
Non-spendable	45,382	-	-	-	-	45,382
Restricted for:						
Capital projects	-	-	-	416,360	-	416,360
Debt service	-	-	-	-	1,111,015	1,111,015
Food service	1,125,124	-	-	-	-	1,125,124
Student activity	-	-	294,240	-	-	294,240
Assigned	-	141,455	-	-	-	141,455
Total Fund Balance	1,170,506	141,455	294,240	416,360	1,111,015	3,133,576
Total Liabilities and Fund Balance	\$ 1,432,040	\$ 143,332	\$ 295,437	\$ 437,461	\$ 1,111,015	\$ 3,419,285

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, 2023

	Special Revenue Funds			Capital	Debt	Non-Major
	School	Community	Student	Projects	Service	Governmental
	Lunch	Service	Activity	Fund	Fund	Funds
	Fund	Fund	Fund			Total
Revenues						
Revenues from local sources						
Food sales	\$ 51,117	\$ -	\$ -	\$ -	\$ -	\$ 51,117
Property taxes	-	-	-	398,560	3,279,193	3,677,753
Other local sources	10,466	279,133	307,594	12,428	-	609,621
State payment in lieu of tax	-	-	-	13,372	109,878	123,250
State aid	114,618	-	-	-	-	114,618
Federal aid	2,538,854	321,509	-	-	-	2,860,363
Total Revenues	2,715,055	600,642	307,594	424,360	3,389,071	7,436,722
Expenditures						
Salaries	831,068	132,141	-	-	-	963,209
Employee benefits	447,029	50,212	-	-	-	497,241
Purchased services	90,476	172,174	-	-	-	262,650
Supplies and materials	1,210,510	134,392	-	-	-	1,344,902
Capital outlay	19,473	-	-	470,574	-	490,047
Other	7,066	4,679	308,743	-	1,200	321,688
Principal	-	-	-	-	2,445,000	2,445,000
Interest and fiscal charges	-	-	-	-	549,600	549,600
Total Expenditures	2,605,622	493,598	308,743	470,574	2,995,800	6,874,337
Excess/(deficiency) of revenues over/(under) expenditures	109,433	107,044	(1,149)	(46,214)	393,271	562,385
Other financing sources/(uses)						
Intra-district transfers	(120,307)	-	-	-	-	(120,307)
Total other financing sources/(uses)	(120,307)	-	-	-	-	(120,307)
Excess/(deficiency) of revenues and other financing sources over/(under) expenditures	(10,874)	107,044	(1,149)	(46,214)	393,271	442,078
Fund Balance - July 1	1,181,380	34,411	295,389	462,574	717,744	2,691,498
Fund Balance - June 30	\$ 1,170,506	\$ 141,455	\$ 294,240	\$ 416,360	\$ 1,111,015	\$ 3,133,576

CARMAN-AINSWORTH COMMUNITY SCHOOLS
 OTHER SUPPLEMENTAL INFORMATION
 COMBINING BALANCE SHEET
 CAPITAL PROJECTS FUNDS
 JUNE 30, 2023

	Sinking Fund	Building and Site Funds	Total
	<u> </u>	<u> </u>	<u> </u>
Assets			
Cash and investments	\$ 437,461	\$ -	\$ 437,461
Total Assets	<u>\$ 437,461</u>	<u>\$ -</u>	<u>\$ 437,461</u>
Liabilities			
Accounts payable	\$ 21,101	\$ -	\$ 21,101
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	21,101	-	21,101
Fund Balance			
Restricted for:			
Capital Projects	<u>416,360</u>	<u>-</u>	<u>416,360</u>
Total Fund Balance	<u>416,360</u>	<u>-</u>	<u>416,360</u>
Total Liabilities and Fund Balance	<u>\$ 437,461</u>	<u>\$ -</u>	<u>\$ 437,461</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, 2023

	Sinking Fund	Building and Site Fund	Total
Revenues			
Property taxes	\$ 398,560	\$ -	\$ 398,560
Earnings on investments	12,428	-	12,428
State payment in lieu of tax	13,372	-	13,372
	<u>424,360</u>	<u>-</u>	<u>424,360</u>
Total revenues			
	424,360	-	424,360
Expenditures			
Capital projects	470,574	-	470,574
	<u>470,574</u>	<u>-</u>	<u>470,574</u>
Total expenditures			
	470,574	-	470,574
Other financing sources/(use)	9	(9)	-
	<u>9</u>	<u>(9)</u>	<u>-</u>
Excess (deficiency) of revenues over/(under) expenditures	(46,205)	(9)	(46,214)
Fund Balance - July 1	462,565	9	462,574
	<u>462,565</u>	<u>9</u>	<u>462,574</u>
Fund Balance - June 30	\$ 416,360	\$ -	\$ 416,360
	<u><u>416,360</u></u>	<u><u>-</u></u>	<u><u>416,360</u></u>

CARMAN-AINSWORTH COMMUNITY SCHOOLS
 OTHER SUPPLEMENTAL INFORMATION
 GENERAL FUND
 SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
 FOR THE YEAR ENDED JUNE 30, 2023
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022

	June 30, 2023	June 30, 2022
Local sources		
Property taxes	\$ 7,151,613	\$ 6,800,780
Athletics	64,419	53,245
Tuition	4,413	6,325
Earnings on investments	58,778	7,284
Other	180,048	319,287
	<hr/>	<hr/>
Total revenues from local sources	7,459,271	7,186,921
State sources		
Grants - unrestricted		
State school aid	27,555,456	26,412,003
Grants - restricted		
Special Education	2,112,082	1,883,743
At Risk	3,389,297	2,836,475
Vocational Education	58,707	76,374
Other	7,977,574	4,983,385
	<hr/>	<hr/>
Total revenues from state sources	41,093,116	36,191,980
Federal sources		
Grants - restricted		
Special Education - I.D.E.A.	1,350,310	1,184,134
Title I	2,680,487	1,677,236
Title IIA Improving Teacher Quality	407,112	157,598
Title III	299	5,571
Title IV	205,448	1,000
Early Head Start	1,793,040	563,543
ESSER	-	577,261
ESSER II	6,183,220	549,445
ESSER III	12,447,393	-
GEER	27,375	353,226
Coronavirus Relief Funds	-	57,640
Voc Ed - Perkins	27,503	36,387
Medicaid Outreach & other	10,382	76,769
	<hr/>	<hr/>
Total revenues from federal sources	25,132,569	5,239,810
Interdistrict sources		
County special education tax	316,969	308,065
Other local transfers	363,558	314,883
	<hr/>	<hr/>
Total revenues from interdistrict sources	680,527	622,948
Other financing sources		
Sale of assets	550	-
Reimbursement from insurance claims & other	11,038	-
Operating transfers/Indirect cost allocations	120,307	185,161
	<hr/>	<hr/>
Total other financing sources	131,895	185,161
	<hr/>	<hr/>
Total revenues and other financing sources	\$ 74,497,378	\$ 49,426,820

CARMAN-AINSWORTH COMMUNITY SCHOOLS
OTHER SUPPLEMENTAL INFORMATION
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
FOR THE YEAR ENDED JUNE 30, 2023
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022

	Salaries & Benefits	Purchased Services	Supplies & Materials	Capital Outlay & Other	Totals June 30, 2023	Totals June 30, 2022
Instruction						
Basic programs						
Elementary	\$ 5,335,161	\$ 205,010	\$ 943,325	\$ 23,444	\$ 6,506,940	\$ 5,578,288
Middle school	2,204,001	100,415	494,622	2,577	2,801,615	2,200,376
High school	3,412,637	891,027	812,005	4,198,181	9,313,850	8,919,140
Preschool/Head start	553,205	47,186	18,490	9,321	628,202	623,016
Other basic programs	262,746	96,246	21,613	-	380,605	592,737
Employee benefits	10,796,873	-	-	-	10,796,873	7,973,481
Added needs						
Special education	3,550,874	42,706	75,467	-	3,669,047	3,472,808
Compensatory education	736,157	343,133	109,335	-	1,188,625	1,089,205
Vocational education	61,044	8,312	57,255	19,852	146,463	172,807
Employee benefits	2,593,500	-	-	-	2,593,500	2,470,001
Total instruction	29,506,198	1,734,035	2,532,112	4,253,375	38,025,720	33,091,859
Supporting services						
Pupil services						
Attendance	88,798	2,133	-	-	90,931	47,885
Guidance services	671,282	-	716	-	671,998	621,667
Health services	117,778	264	3,437	156	121,635	178,241
Psychological services	214,467	700	4,538	-	219,705	190,908
Speech pathology	505,426	927	7,500	-	513,853	425,278
Social work services	427,864	-	19,611	-	447,475	301,838
Teacher consultants	295,448	21	428	-	295,897	269,866
Other pupil services	279,580	895,808	-	-	1,175,388	558,438
Employee benefits	1,628,674	-	-	-	1,628,674	1,387,062
Instructional staff						
Improvement of instruction	517,344	78,980	37,076	3,264	636,664	653,878
Educational media	246,765	-	10,984	411	258,160	238,730
Instruction related technology	-	-	24,881	-	24,881	50,123
Supervision instructional staff	759,825	64,911	2,137	909	827,782	774,194
Testing	-	58,585	1,271	-	59,856	40,045
Employee benefits	957,420	-	-	-	957,420	872,086
General administration						
Board of education	3,816	180,971	-	9,184	193,971	103,484
Executive administration	347,259	25,892	5,582	51,263	429,996	417,907
Employee benefits	227,336	-	-	-	227,336	234,469
School administration						
Office of the principal	1,689,179	47,873	5,483	12,157	1,754,692	1,661,225
Other school administration	99,883	103,818	7,215	15,566	226,482	199,188
Employee benefits	1,111,410	-	-	-	1,111,410	1,119,763
Business services						
Fiscal services	225,106	2,531	10,747	4,481	242,865	214,109
Other business services	-	-	-	77,740	77,740	73,065
Employee benefits	186,141	-	-	-	186,141	204,967
Operations & maintenance						
Operation & maintenance of plant	598,175	1,933,831	1,642,728	186,897	4,361,631	3,604,273
Security services	14,119	233,836	-	-	247,955	220,866
Employee benefits	364,083	-	-	-	364,083	384,368

(continued)

CARMAN-AINSWORTH COMMUNITY SCHOOLS
 OTHER SUPPLEMENTAL INFORMATION
 GENERAL FUND
 SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
 FOR THE YEAR ENDED JUNE 30, 2023
 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2022

	Salaries & Benefits	Purchased Services	Supplies & Materials	Capital Outlay & Other	Totals June 30, 2023	Totals June 30, 2022
Supporting services (continued)						
Pupil transportation						
Pupil transportation services	\$ 886,481	\$ 232,274	\$ 362,317	\$ 555,584	\$ 2,036,656	\$ 1,424,304
Employee benefits	486,258	-	-	-	486,258	387,843
Central services						
Planning, research & eval.	51,755	-	-	-	51,755	46,198
Communication services	40,239	16,617	-	888	57,744	64,459
Staff services	120,569	20,933	2,775	5,487	149,764	159,653
Information management services	83,580	473,038	102,392	731,152	1,390,162	1,171,283
Employee benefits	205,097	-	-	-	205,097	192,917
Athletics						
Athletic Programs	162,610	275,757	25,753	57,704	521,824	451,455
Employee benefits	85,300	-	-	-	85,300	81,475
Total support services	13,699,067	4,649,700	2,277,571	1,712,843	22,339,181	19,027,510
Community services						
Civic activities	94,624	4,058	31,141	-	129,823	179,275
Custody & care of children	-	-	-	-	-	13,763
Non public school pupils	-	10,225	-	-	10,225	-
Employee benefits	44,875	-	-	-	44,875	61,391
Total community services	139,499	14,283	31,141	-	184,923	254,429
Total expenditures	43,344,764	6,398,018	4,840,824	5,966,218	60,549,824	52,373,798
Other financing uses						
Building improvement	-	-	-	-	-	196,556
Intra-district transfers	-	-	-	-	-	47,593
Total other financing uses	-	-	-	-	-	244,149
Total expenditures and other financing uses	\$ <u>43,344,764</u>	\$ <u>6,398,018</u>	\$ <u>4,840,824</u>	\$ <u>5,966,218</u>	\$ <u>60,549,824</u>	\$ <u>52,617,947</u>

(concluded)

CARMAN-AINSWORTH COMMUNITY SCHOOLS
 DETAIL OF BONDED DEBT
 2016 REFUNDING BOND ISSUE
 JUNE 30, 2023

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>
11/01/23	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>816,600</u></u>	\$ <u><u>7,621,600</u></u>

CARMAN-AINSWORTH COMMUNITY SCHOOLS
 DETAIL OF BONDED DEBT
 2021 REFUNDING BOND ISSUE
 JUNE 30, 2023

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>
11/01/23	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>5,355,000</u>	\$ <u>321,600</u>	\$ <u>5,676,600</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, 2023, 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 14, 2024.

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 2023-001 and 2023-003 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 deficiency described in the accompanying schedule of findings and questioned costs as item 2023-002 to be a significant deficiency.

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 is described in the accompanying schedule of findings and questioned costs as item 2023-004.

BRIGHTON, MICHIGAN

FLINT, MICHIGAN

FLINT OFFICE

G-2302 STONEBRIDGE DR., BUILDING D
FLINT, MICHIGAN 48532
OFFICE 810.230.8200 FAX 810.230.8203

TROY, MICHIGAN

CHARLOTTE, NORTH CAROLINA

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 14, 2024

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM 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, 2023. 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, 2023.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the 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.

BRIGHTON, MICHIGAN

FLINT, MICHIGAN

FLINT OFFICE

G-2302 STONEBRIDGE DR., BUILDING D
FLINT, MICHIGAN 48532
OFFICE 810.230.8200 FAX 810.230.8203

TROY, MICHIGAN

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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 deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2023-005 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' responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 14, 2024

CARMAN-AINSWORTH COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

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, 2022 Revenue	Adjustments and Transfers	Current Year Receipts	Current Year Expenditures	Accrued/ (Deferred) June 30, 2023 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	\$ -	\$ 1,736,549	\$ 116,276	\$ -
231530-2223	84.010	2,943,478	-	-	-	1,004,353	1,288,730	284,377
		5,966,930	1,620,273	1,620,273	-	2,740,902	1,405,006	284,377
<u>Title IIA Improving Teacher Quality</u>								
220520-2122	84.367	483,488	315,841	315,841		315,841	-	-
230520-2223	84.367	199,484	-	-	-	91,271	185,356	94,085
		682,972	315,841	315,841	-	407,112	185,356	94,085
<u>Title III</u>								
220570-2122	84.365	3,236	298	298		298	-	-
230570-2223	84.365	-	-	-	-	-	-	-
		3,236	298	298	-	298	-	-
<u>Title IV</u>								
210750-2122	84.424	253,456	157,656	157,656	-	157,656	-	-
210750-2223	84.424	184,809	-	-		47,792	91,372	43,580
		438,265	157,656	157,656	-	205,448	91,372	43,580
<u>COVID-19 - EI. And Sec. School Emerg. Relief (ESSER II)</u>								
213712-2122	84.425D	6,404,309	6,404,309	6,404,309	-	6,404,309	-	-
213742-2122	84.425D	300,300	260,695	260,695	(221,089)	39,606	-	-
<u>COVID-19 - EI. And Sec. School Emerg. Relief (ESSER III)</u>								
213713-2122	84.425U	14,393,397	10,404,277	10,404,277	(404,277)	12,447,393	3,188,562	741,169
<u>COVID-19 - Governor's Emergency Education Relief (GEER) Fund</u>								
211222-2022	84.425C	27,375	27,375	27,375	-	27,375	-	-
		21,125,381	17,096,656	17,096,656	(625,366)	18,918,683	3,188,562	741,169
Total Received Through M.D.E.		28,216,784	19,190,724	19,190,724	(625,366)	22,272,443	4,870,296	1,163,211
<u>Received Through G.I.S.D.</u>								
<u>Perkins Secondary Regional</u>								
233520-231215	84.048	40,412	-	-	-	21,793	27,503	5,710
		40,412	-	-	-	21,793	27,503	5,710
<u>Special Education</u>								
COVID-19 IDEA ARP Flow Through 221280-2122	84.027	233,841	135,508	135,508	-	197,334	68,859	7,033
COVID-19 IDEA ARP Preschool 221285-2122	84.173	3,718	-	-	-	3,718	3,718	-
IDEA Flow Through 230450-2223	84.027	1,120,839	-	-	-	461,076	1,120,839	659,763
IDEA Preschool 230460-2223	84.173	28,419	-	-	-	17,884	28,419	10,535
		1,386,817	135,508	135,508	-	680,012	1,221,835	677,331
Total Received Through G.I.S.D.		1,427,229	135,508	135,508	-	701,805	1,249,338	683,041
<u>Received Through Calhoun I.S.D.</u>								
Technical Assistance Grant 231530-2223	84.010	60,000	-	-	-	-	23,353	23,353
Total Received Through Calhoun I.S.D.		60,000	-	-	-	-	23,353	23,353
Total U.S. Department of Education		29,704,013	19,326,232	19,326,232	(625,366)	22,974,248	6,142,987	1,869,605
<u>Received Through Michigan Department of Community Mental Health</u>								
<u>Passed Through GISD</u>								
Medicaid Administrative Outreach 22-23	93.778	10,384	-	-	-	10,384	10,384	-
Total Received Through Michigan Department of Community Mental Health		10,384	-	-	-	10,384	10,384	-
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>								
<u>Head Start</u>								
COVID-19 Early Head Start ARP	93.600	12,311	-	-	2,364	112,311	109,947	-
Early Head Start 21-22	93.600	1,269,299	1,110,509	696,889	413	697,302	-	-
Early Head Start 22-23	93.600	1,308,239	-	-	-	766,275	972,779	206,504
Early Head Start 21-22 Training	93.600	26,079	15,778	10,973	-	10,973	-	-
Early Head Start 22-23 Training	93.600	26,079	-	-	-	2,453	14,967	12,514
Early Head Start 20-21 Training	93.600	26,961	22,520	(3,505)	3,505	-	-	-
		2,668,968	1,148,807	704,357	6,282	1,589,314	1,097,693	219,018
Total U.S. Department of Health and Human Services		2,679,352	1,148,807	704,357	6,282	1,599,698	1,108,077	219,018

CARMAN-AINSWORTH COMMUNITY SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

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, 2022 Revenue	Adjustments and Transfers	Current Year Receipts	Current Year Expenditures	Accrued/ (Deferred) June 30, 2023 Revenue
<u>U.S. DEPARTMENT OF AGRICULTURE</u>								
<u>Passed Through Michigan Dept. of Education</u>								
COVID-19 Pandemic EBT Local Level Costs 220980-2022	10.649	-	-	-	-	3,135	3,135	-
<u>National School Lunch - Child Nutrition Cluster</u>								
COVID-19 Seamless Summer Option-Breakfast 221970-2022	10.553	581,619	602,442	20,823	-	20,823	-	-
School breakfast program 221970-2223	10.553	-	-	-	-	654,489	674,525	20,036
COVID-19 Supply Chain Assistance 230910-2022	10.555	-	-	-	-	94,855	94,855	-
COVID-19 Seamless Summer Option-Lunch 221961-2022	10.555	1,855,575	1,906,864	51,289	-	51,289	-	-
School lunch/snack program 221960-2223	10.555	-	-	-	-	1,606,810	1,649,192	42,382
Entitlement Bonus Commodities 2023	10.555	-	-	-	-	1,835	1,835	-
Entitlement Commodities 2023	10.555	-	-	-	-	115,312	115,312	-
		<u>2,437,194</u>	<u>2,509,306</u>	<u>72,112</u>	<u>-</u>	<u>2,548,548</u>	<u>2,538,854</u>	<u>62,418</u>
Total U.S. Dept. of Agriculture								
Total All Federal Agencies		\$ <u>34,820,559</u>	\$ <u>22,984,345</u>	\$ <u>20,102,701</u>	\$ <u>(619,084)</u>	\$ <u>27,122,494</u>	\$ <u>9,789,918</u>	\$ <u>2,151,041</u>

CARMAN-AINSWORTH COMMUNITY SCHOOLS
 NOTES/RECONCILIATION
 TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2023

FEDERAL REVENUE RECOGNIZED FOR SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	\$ <u>9,789,918</u>
FEDERAL REVENUE RECOGNIZED PER THE GENERAL PURPOSE FINANCIAL STATEMENTS	
General Fund	\$ 25,132,569
School Lunch Fund	2,538,854
Community Service fund	321,509
CRF TUITION PAYMENTS - NOT REPORTABLE ON SEFA	(321,509)
FEDERAL REVENUE RECOGNIZED IN CURRENT YEAR BECAUSE IT WAS UNAVAILABLE AT PRIOR YEAR END	(19,087,624)
FEDERAL REVENUE NOT RECOGNIZED IN CURRENT YEAR BECAUSE IT WAS UNAVAILABLE AT YEAR END	<u>1,206,119</u>
TOTAL REVENUE FROM FEDERAL SOURCES - AS REPORTED ON FINANCIAL STATEMENTS	\$ <u>9,789,918</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
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023

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:

<u>A.L.N. Number(s)</u>	<u>Name of Federal Program of Cluster</u>
93.600	Early Head Start
10.553, 10.555	Child Nutrition Cluster
84.425C	COVID-19 - El. And Sec, School Emerg. Relief (ESSER) Formula
84.425D	COVID-19 - El. And Sec, School Emerg. Relief (ESSER) Formula
84.425U	COVID-19 - El. And Sec, School Emerg. Relief (ESSER) Formula

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, 2023

Section II - Financial Statement Findings

2023-001	Material Audit Adjustments
Finding Type	Material Weakness in Internal Control Over Financial Reporting
Condition:	Material audit adjustments were posted during the audit related to the proper recognition and allocation of assets, liabilities, revenues, and expenditures related to all aspects of the accounting process, including adjustments to correct balances of grant revenue, deferred revenue, and unavailable revenue. A final adjusted trial balance for the District was not available until February 9, 2024, seven months after the fiscal year-end. Material adjustments were also needed during the 2022 fiscal year financial statement audit.
Criteria:	Generally Accepted Accounting Principles (GAAP) include procedures related to the accounting, reconciliation, and recognition of assets, liabilities, revenues, and expenditures.
Effect:	Material audit adjustments were required to report assets, liabilities, revenues, and expenditures in accordance with generally accept accounting principles.
Cause	The condition is a result of the accounting records not being prepared, reviewed, or reconciled by someone familiar with proper accounting principles and a lack of accounting skills in the accounting department (as described in finding 2023-002).
Recommendation:	Additional controls and policies should be implemented to ensure that all related accounting records are reviewed and reconciled at year end.
View of Responsible Officials:	The District business office recognizes this as a concern, and will provide a trial balance during or shortly after audit field work begins for next year's audit.

CARMAN-AINSWORTH COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023

Section II - Financial Statement Findings

2023-002	Accounting Skills, Knowledge, and Expertise
Finding Type	Significant Deficiency in Internal Controls Over Financial Reporting
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. This condition also existed at June 30, 2022.
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.
Effect:	Due to the other responsibilities of the Assistant Superintendent, he is unable to provide the oversight, accounting knowledge and supervision of the department necessary to operate efficiently and effectively and prevent errors from occurring.
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.
Recommendation:	The District needs to hire additional staff with sufficient accounting and grant knowledge to handle the grant accounting and provide additional accounting expertise for the department. Given the size of the District and the various funding source reporting requirements, additional accounting expertise is required to operate efficiently and effectively and prevent errors from occurring .
View of Responsible Officials:	The District agrees it has staffing issues and has hired a Business Manager and new Payroll Executive Assistant in the fall of 2023. The Business Manager is taking classes through the Michigan School Business Officials Organization (MSBO), to be responsible for the day-to-day grant accounting. The District also re-hired our previous Payroll Executive Assistant to provide more training.

CARMAN-AINSWORTH COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023

Section II - Financial Statement Findings

2023-003

Controls Over Payroll Disbursements

Finding Type

Material Weakness in Internal Controls Over Financial Reporting

Condition:

During testing of payroll transaction there were several situations where time cards and other supporting documentation as to hours worked did not agree with the hours input into the payroll distribution system and paid out to employees.

Criteria:

Documentation supporting hourly payroll computations should be properly footed, computed, reviewed, and approved by supervisors prior to input into the payroll system. These controls help ensure that all employees are paid based on services provided and that fringe allocations based on the wages are properly computed and charged to the correct account.

Effect:

Due to the lack of properly executed review procedures, hours input were not reviewed for accuracy and district employees were not paid the appropriate amount.

Cause

Time cards and other supporting documentation were not footed or recomputed during the supervisor review process. The lack of supervisor review lead to errors in hours input, and in turn paid, was identified in several different departments, showing the problem does not appear to be isolated to one department or function.

Recommendation:

The District needs to ensure that documentation supporting hours worked is footed with totals and recomputed, and any resulting errors are corrected and signed off by a department supervisor.

View of Responsible
Officials:

The District recognizes the inefficiencies of its manual time card system and is investigating automated time card systems to automate this process.

CARMAN-AINSWORTH COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023

Section II - Financial Statement Findings

2023-04	Audit Filing Compliance Requirements
Finding type:	Material Noncompliance
Condition:	The District was unable to meet the State filing requirements. This is a repeat finding from the prior year.
Criteria:	The District is required to file its June 30, 2023, audited financial statements and Uniform Guidance compliance audit with the Michigan Department of Education by November 1, 2023.
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 2023 up until the date of this audit report.
Cause:	Due to the accounting deficiencies more fully described in Finding 2023-001 and 2023-002, the District was unable to meet the filing requirement.
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 1st each year.
View of Responsible Officials:	The District has added staff to ensure timely financial statement presentation to District auditors.

CARMAN-AINSWORTH COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023

Section III - Federal Award Findings and Questioned Costs

2023-005 Allowable Costs

Finding Type:	Significant Deficiency in Internal Controls Over Compliance
Program Name:	Early Head Start (#93.600)
Condition:	During the testing of controls over payroll processing, an employee in the sample was being paid in excess of the contractually approved amount. The District could not provide a rationale or support for wages in excess of the approved contract being paid to a staff charged fully to the Early Head Start grant program.
Criteria:	Allowable cost principles require that any personnel costs charged to the grant for salaried personnel be supported by contracts and pay rates that have been properly approved by management and the Board of Education.
Effect:	The District did not have a system in place to ensure that pay rates input into the payroll system agreed with contractually agreed and approved rates. As a result, the grant was charged salary and fringe cost in excess of approved amounts.
Cause:	The District did not have a system in place to ensure that pay rates input into the payroll system agreed with contractually agreed and approved rates.
Questioned Costs:	The sample identified wages of \$2,834 that were not supported by an approved contract. When the sample results were extrapolated to the entire wages population, the total estimated questioned costs, including allocated fringes, were \$10,392 which was .9% of total grant expenses.
Recommendation:	The District should implement procedures where the pay rates input into the payroll distribution systems are reviewed by supervisory staff to ensure that they are correct.
View of Responsible Officials:	The District agrees with the finding. The Assistant Superintendent has created a spreadsheet for Early Head Start payroll that shows rate of pay, number of hours, longevity and benefits available with corresponding account numbers. This spreadsheet will be used during the program grant year to verify that payroll charges by employee to the Early Head Start program are consistent with approved contracts.

CARMAN-AINSWORTH COMMUNITY SCHOOLS
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

Section II - Financial Statement Findings

Finding 2022-001 Material Audit Adjustments

Material Weakness in Internal Control Over Financial Reporting

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. 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. This matter is considered revolved as it relates to property taxes distributions and allocations only. Finding 2023-001 relates to the need for material audit adjustments throughout the general ledger accounts and transactions to be in compliance with GAAP for the year ended June 30, 2023.

Finding 2022-002 Material Audit Adjustments

Material Weakness in Internal Control Over Financial Reporting

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. This finding is considered to be

Finding 2022-003 Grants Asset and Management

Significant Deficiency in Internal Control Over Financial Reporting

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. This finding is considered to be unresolved and is repeated as Finding 2023-001

Finding 2022-004 Accounting Skills, Knowledge, and Expertise

Significant Deficiency in Internal Control Over Financial Reporting

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. This finding is considered to be unresolved and is repeated as Finding 2023-002.

CARMAN-AINSWORTH COMMUNITY SCHOOLS
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

Section II - Findings of Material Non-Compliance

Finding 2022-005 Audit Filing Compliance Requirements
Material Non-compliance

The District was 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. Due to the accounting deficiencies more fully described in Findings 2002-002, and 2022-003, and 2022-004, the District was unable to meet the filing requirement. This finding is considered unresolved as the District did not meet this reporting deadline for the year ended June 30, 2023. The finding is repeated as Finding 2023-004.

Section III - Federal Award Findings and Questioned Costs

Finding 2022-006 Cash Management
Significant Deficiency in Internal Control Over Compliance

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. 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. This finding is considered to be resolved.

CARMAN-AINSWORTH COMMUNITY SCHOOLS

G-3475 W. Court Street • Flint, Michigan 48532 • Phone: (810) 591-3700 • Fax: (810) 591-3323

Cathy McGilvery
Superintendent

Corrective Action Plan for 2022-23 Audit Findings

1. 2023-001 Material Audit Adjustments

Material audit adjustments were posted during the audit related to the proper recognition and allocation of assets, liabilities, revenues, and expenditures related to all aspects of the accounting process, including adjustments to correct balances of grant revenue, deferred revenue, and unavailable revenue. A final adjusted trial balance for the District was not available until February 9, seven months after the fiscal year-end. Material adjustments were also needed during the 2022 fiscal year financial statement audit.

District Corrective Action:

The District business office will provide a trial balance during or shortly after audit field work begins.

2. 2023-002 Accounting Skills, Knowledge, and Expertise

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. This condition also existed at June 30, 2022.

District Corrective Action:

The District has hired a Business Manager and new Payroll Executive Assistant in the fall of 2023. The Business Manager is taking classes through the Michigan School Business Officials Organization (MSBO), to be responsible for the day-to-day grant accounting. The District also re-hired our previous Payroll Executive Assistant to provide more training.

3. 23-003 Material Weakness in Internal Control

During testing of payroll transaction there were several situations where time cards and other supporting documentation as to hours worked did not agree with the hours input into the payroll distribution system and paid out to employees.

District Corrective Action:

The District is investigating automated time card systems to automate this process.

4. 2023-004 Audit Filing Compliance Requirements

The District was unable to meet the State filing requirements. This is a repeat finding from the prior year.

District Corrective Action:

The District has added staff to ensure timely financial statement presentation to District auditors.

5. 2023-005 Significant Deficiency in Internal Controls Over Compliance

During the testing of controls over payroll processing, an employee in the sample was being paid in excess of the contractually approved amount. The District could not provide a rationale or support for wages in excess of the approved contract being paid to a staff charged fully to the Early Head Start grant program.

District Corrective Action:

The Assistant Superintendent has created a spreadsheet for Early Head Start payroll that shows rate of pay, number of hours, longevity and benefits available with corresponding account numbers. This spreadsheet will be used during the program grant year to verify that payroll charges by employee to the Early Head Start program are consistent with approved contracts.

Sincerely,

A handwritten signature in black ink that reads "Russell Parks". The signature is written in a cursive, flowing style.

Russell Parks
Assistant Superintendent

March 14, 2024

To the Board of Education of Carman-Ainsworth Community Schools,

We have audited the financial statements of the governmental activities, the general fund, and the aggregate remaining fund information of Carman-Ainsworth Community Schools for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Carman-Ainsworth Community Schools are described in Note 1 to the financial statements. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Estimates have been used to calculate the net pension liability and the net other postemployment benefit liability and the related deferred inflows and outflows of resources related to these liabilities. We evaluated the key factors and assumptions used to develop the balance of the net pension liability and net other postemployment benefit liability and the related deferred inflows and outflows of resources in determining that they are reasonable in relation to the financial statements taken as a whole.

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

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

The audit was delayed beyond the November 1, 2023, completion and submission date required by the Michigan Department of Education. This delay was caused by the accounting records not being completed and ready to audit in a time frame allowing completion of the audit by the normal submission date.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Our audit procedures identified material audit adjustments related to the proper recognition

BRIGHTON, MICHIGAN

FLINT, MICHIGAN

FLINT OFFICE

G-2302 STONEBRIDGE DR., BUILDING D
FLINT, MICHIGAN 48532
OFFICE 810.230.8200 FAX 810.230.8203

TROY, MICHIGAN

CHARLOTTE, NORTH CAROLINA

and reclassification of deferred revenue to unavailable revenue. Without these adjustments, the financial statements would have been materially misstated. Management has corrected all such misstatements.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated as of the date of the audit report.

Management Consultations with Other Independent Accountants

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

Other Audit Matters

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

Supplemental Financial Statement Information

We applied certain limited procedures to the Required Supplemental Information (RSI) identified in the table of contents that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

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

Other Audit Findings:

School Lunch Special Revenue Fund Balance

The School Lunch Fund had a fund balance at June 30, 2023, that exceeded the spendable balance allowed by State of Michigan regulations, defined as the "Sponsor's Allowable Fund Balance". Fund balance at year end exceeded the allowable balance by approximately \$268,000. The excess fund balance was due

to the unprecedented amount of federal revenue received for the food program over the last couple of years. The State of Michigan and the District are both aware of the issue and are working on adopting an acceptable "Spend-down Plan of Action" to reduce the excess fund balance to allowable amounts.

Restriction on Use

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

Very truly yours,

Taylor & Morgan, P.C.

Taylor & Morgan, P.C.
Certified Public Accountants
Flint, MI

DRAFT