ATLANTA COMMUNITY SCHOOLS

Audited Financial Statements and
Other Supplementary Financial Information

Year Ended June 30, 2017

STRALEY LAMP & KRAENZLEIN P.C.

ATLANTA COMMUNITY SCHOOLS

2016 - 2017 SCHOOL YEAR

BOARD OF EDUCATION

President	December, 2018	Dave Fisher
Vice-President	December, 2020	Tom Morton
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Superintendent/Principal of Schools	Donald Haskin Jr.
Administrative Assistant	Amanda Flick
Athletic/Maintenance/Transportation Director	Michael Eising
Contracted Business Services	Alan Shillair
Accountant	Caryn Herrick

INDEPENDENT AUDITORS…….…….. Straley Lamp & Kraenzlein P.C.

LEGAL COUNSEL…..……..... Thrun Law Firm, P.C.

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Straley Lamp & Kraenzlein P.C.
Certified Public Accountants

Philip T. Straley, CPA/PFS
Bernard R. Lamp, CPA
James E. Kraenzlein, CPA/ABV/CFF
Gary C. VanMassenhove, CPA
J. Michael Kearly, CPA
Robert D. Ilsley, CPA
Mark L. Sandula, CPA
Jeffrey A. Taphouse, CPA
John D. Faulman, CPA
Andrew R. Lamp, CPA
Donald C. Levren

Gordon A. Nethercut, CPA-Retired

INDEPENDENT AUDITOR'S REPORT

To the Board of Education
Atlanta Community Schools
Atlanta, Michigan 49709

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Atlanta Community Schools**, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the **Atlanta Community School's** basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the **Atlanta Community Schools**, as of June 30, 2017, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Atlanta Community Schools'** basic financial statements. The other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2017, on our consideration of the **Atlanta 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the **Atlanta Community Schools'** internal control over financial reporting and compliance.

Straley Lamp & Kraenzlein P.C.

October 10, 2017

The following is management's discussion and analysis of the financial position and results of operations for the fiscal year ended June 30, 2017. Please read it in conjunction with the financial statements and related footnotes, which follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Atlanta Community Schools (the "School District") financially as a whole. The government wide financial statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at the School District's governmental funds. The remaining statement, the statement of fiduciary net position, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents. The annual report is arranged as follows:

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Government-Wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)

Budgetary information for General Fund
Debt Retirement Fund – 2015 Refunding Bond and
Capital Project Fund
Pension Plan Schedules

Other Supplemental Information

Combining Statements for Nonmajor Governmental Funds
Agency Fund – Statement of Receipt, Disbursement and Deposits Held
Schedule of Indebtedness

Reporting the School District as a Whole – Government-Wide Financial Statements

The statement of net position and the statement of activities, which appear first in the School District's financial statements, report information about the School District as a whole using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. The statement of net position includes all of the School District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

These two statements report the School District's net position and how they have changed. Net Position – the difference between assets, deferred outflow of resources, liabilities, and deferred inflow of resources as reported in the statement of net position – is one way to measure the School District's financial health, or position. Over time, increases or decreases in the School District's net position – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results.

The School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools to assess the overall health of Atlanta Community Schools.

The statement of net position and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, support services, community services, food services and inter-district transfers. Property taxes, state aid and state and federal grants finance most of these activities.

Reporting the School District's Most Significant Funds – Fund Financial Statements

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by state law and by bond covenants. However, the School District may establish other funds to help it control and manage money for a particular purpose (the School Services and Debt Retirement funds are examples) or to show that it is meeting its legal responsibilities for using certain taxes, grants, or other money. The governmental funds of the School District use the following accounting approach:

Governmental Funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash.

The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation.

The School District as Trustee–Reporting the School District's Fiduciary Responsibilities

The School District is a trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net position. We excluded these activities from the School District's other financial statement because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

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The School District as a Whole

Recall that the statement of net position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position as of June 30, 2017 and 2016:

TABLE 1

	2017	2016
ASSETS		
Current and other assets	$ 2,934,422	$ 592,070
Property and equipment	7,748,883	6,757,681
Total assets	10,683,305	7,349,751
DEFFERED OUTFLOWS OF RESOURCES	422,833	359,186
LIABILITIES		
Current liabilities	1,069,422	844,031
Long-term liabilities	7,254,664	4,260,209
Total liabilities	8,324,086	5,104,240
DEFERRED INFLOWS OF RESOUCES	212,073	72,242
NET POSITION		
Invested in capital assets - net of related debt	4,301,386	5,307,864
Restricted	2,228,196	85,106
Unrestricted	(3,959,603)	(2,860,515)
Total net position	$ 2,569,979	$ 2,532,455

The above analysis focuses on the net position. The change in net position (see table 2) of the School District's governmental activities is discussed below. The School District's net position was $2,569,979 at June 30, 2017. Capital assets, net of related debt totals $4,301,386 and compares the original cost, less deprecation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Of the remaining amount of the net position $2,228196 was restricted for food service, debt service, and capital projects. The remaining $(3,959,603) deficit net position was unrestricted.

The negative $(3,959,603) in unrestricted net position of governmental activities represents the *accumulated* results of all past years' operations. The unrestricted net position balance enables the School District to meet working capital and cash flow requirements as well as provide for future uncertainties. Recording the net pension liability under GASB No. 68 has significantly impacted this calculation. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year.

The unrestricted net deficiency position of the School District has grown significantly from several years prior, directly as a result of the adoption of GASB No.68 and the impact of the statement are explored in more depth in note 13. The results of this year's operations for the governmental activities of the School District as a whole are reported in the Statement of Activities (see table 2), which shows the changes in the net position for fiscal year 2017 as compared to 2016.

TABLE 2

	2017	2016
REVENUE		
Program revenue:		
Charges for services	$ 65,115	$ 73,689
Operating grants	465,330	416,703
General revenue:		
Property taxes	2,233,137	2,370,791
State aid	331,742	338,320
Investment earnings	3,834	1,901
Miscellaneous	51,466	18,032
Total revenue	3,150,624	3,219,436
FUNCTIONS/PROGRAM EXPENSES		
Instruction	1,509,879	1,581,642
Support services	1,102,531	1,047,762
Community services	-	271
Food services	159,035	149,758
Interest on long-term debt	51,884	27,389
Depreciation (unallocated)	289,771	277,972
Total expenses	3,113,100	3,084,794
INCREASE (DECREASE) IN NET POSITION	$ 37,524	$ 134,642

As reported in the statement of activities, the cost of all of our *governmental* activities this year was $3,113,100. Program activities were partially funded from those who benefited from the programs by charges for services of $65,115 or by other governments and organizations that subsidized programs with grants and contributions of $465,330. The District paid for the remaining "public benefit" portion of our governmental activities with $2,233,137 in taxes, $331,742 in state aid and with $55,300 of our other revenues (i.e., interest and other general revenue).

The School District experienced an increase in net position of $37,524 which is a decrease of $(97,118) from last year's figure of $134,642. The key reason for the change in net position on the "revenue" side was decreased in property taxes ($137,654) on the "expense" side, interest on long term debt increased $24,495 than the same period last year.

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

The School District's Funds

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of $2,307,368 which is an increase of $2,195,783 from last year. The primary reason for the increase is the issuance of a School Building and Site Bond for $3,380,000.

The General Fund balance available to fund general operations costs for instructional, administrative and support services increased $52,900 to end the year at $79,172. This increase in fund balance can be attributed to additional revenue generated.

General Fund Budgetary Highlights

During the course of the year, the School District performs budget amendments as necessary to reflect changes from the original budget adopted in June of 2016. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was adopted June 26, 2017. (A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements).

A large portion of the School District funding is in the form of state aid and federal grants. It is common to receive notification from state aid, state grants and federal grants subsequent to the adoption of the original budget. Variances from these notifications were one of the main reasons to necessitate budget amendments throughout the 2016-2017 fiscal year end. The 2016-17 state foundation allowance grant was at $7,511 per pupil.

Debt Administration

At the end of this year, the School District had $4,085,000 in outstanding bonded debt which increased by $3,035,000 from the prior year.

In addition, the School District decreased its early retirement incentive liability to $149,500, while paying off $39,000 and the compensated absences liability increased by $1,204.

Capital Assets

At June 30, 2017, the School District had $7,748,883 invested in a broad range of capital assets, including land, buildings, furniture and equipment, and vehicles. The capital assets experienced a net increase (including additions, deductions, and depreciation) of approximately $991,202 from last year. This was the result of construction in progress additions of $1,275,459 and depreciation charges of $(289,771).

TABLE 3

	2017	2016
Assets not being depreciated	$ 1,275,460	$ 1
Buildings and improvements	10,662,924	10,662,924
Furniture , fixtures and equipment	1,741,100	1,735,586
Vehicles and buses	302,411	302,411
Total capital assets	13,981,895	12,700,922
Less accumulated depreciation	(6,233,012)	(5,943,241)
Net capital assets	$ 7,748,883	$ 6,757,681

Economic Factors and Next Year's Budgets and Rates

Our Board of Education and administration considers many factors when setting Atlanta School District's 2017-2018 fiscal year budget. The 2017-2018 fiscal years' budget was adopted in June 2017 based on student enrollment, property taxable valuations and state and federal revenue estimates available at that time. Under State law, the School District cannot access additional property taxes without a vote of the electorate within the ISD (Atlanta Community Schools District).

Under Proposal A, School Districts, such as Atlanta Community Schools, will receive in 2017-2018, a foundation grant of $7,631 per pupil which is an increase of $120 per FTE from last fiscal year. The foundation allowance is a combination of local property tax and state revenues. Atlanta School District became 'in-formula' around April 2016 because decreasing local non-homestead property values did not generate the appropriate revenue of the 'per-pupil foundation allowance'. Therefore, the District began to receive State Aid to make up the difference between what was collected from the local township treasurers and what the formula for state aid provided. This will be the case for the entire 2017-2018 fiscal year as property values remain stagnant. Being 'in-formula' will allow the District to receive the entire foundation grant of $7,631 per student and not lose revenues from declining property taxable values being adjusted throughout the year.

The School District increased its general fund balance this year to $79,172. The current school year (2017-18) will be a challenge to significantly increase the fund balance but the School District hopes to maintain the current funds while making moderate programming enhancements.

Contacting the School District's Financial Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Superintendent of Atlanta Community Schools:

Carl Seiter
10500 County Road 489
Atlanta, Michigan 49709
(989)785-4877.

BASIC FINANCIAL STATEMENTS

ATLANTA COMMUNITY SCHOOLS

Statement of Net Position

June 30, 2017

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 2,690,066
Accounts receivable	116
Due from other governmental units	137,488
Investments	104,676
Prepaid assets	2,076
Capital assets not being depreciated	1,275,460
Capital assets being depreciated	12,706,435
Less: accumulated depreciation	(6,233,012)
Total assets	10,683,305
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	422,833
LIABILITIES	
Accounts payable	434,455
Due to other governmental units	10,071
Interest payable	14,868
Accrued expenditures	56,119
Salaries payable	126,409
Noncurrent liabilities:	
Due within one year	427,500
Due in more than one year	3,819,521
Premium on bonds payable	67,497
Net pension liability	3,367,646
Total liabilities	8,324,086
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	108,618
State aid funding for pension	103,455
Total deferred inflows of resources	212,073
NET POSITION	
Investment in capital assets, net of related debt	4,301,386
Restricted:	
Food service	26,496
Debt service	100,625
Capital Projects	2,101,075
Unrestricted (deficit)	(3,959,603)
Total net position	$ 2,569,979

The accompanying notes to financial statements are an integral part of this statement.

ATLANTA COMMUNITY SCHOOLS

Statement of Activities

Year Ended June 30, 2017

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants	Net (Expense) Revenue and Changes in Net Position
FUNCTION / PROGRAMS				
Instruction	$ 1,509,879	$ -	$ 322,276	$ (1,187,603)
Supporting services	1,102,531	19,181	26,237	(1,057,113)
Food services	159,035	45,934	116,718	3,617
Community services	-	-	100	100
Interest on long-term debt	51,884	-	-	(51,884)
Depreciation - unallocated	289,771	-	-	(289,771)
Total Governmental Activities	3,113,100	65,115	465,331	(2,582,654)
General Revenues:				
Property taxes, levied for general purposes				1,852,670
Property taxes, levied for debt retirement				380,467
State aid				331,742
Investment earnings				3,834
Miscellaneous				51,466
Total general revenues				2,620,179
Change in net position				37,525
Net position - beginning of the year				2,532,455
Net position - end of the year				$ 2,569,980

The accompanying notes to financial statements are an integral part of this statement.

ATLANTA COMMUNITY SCHOOLS

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

Year ended June 30, 2017

	General Fund	Capital Project Fund	Debt Service Fund - 2015 Refunding Bond	Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	$ 139,656	$ 2,504,434	$ 12,105	$ 33,871	$ 2,690,066
Accounts receivable	116	-	-	-	116
Due from other funds	13,580	-	-	9,953	23,533
Due from other governmental units	136,906	-	-	582	137,488
Investments	20,216	-	61,468	22,992	104,676
Prepaid expenses	2,076	-	-	-	2,076
Total assets	$ 312,550	$ 2,504,434	$ 73,573	$ 67,398	$ 2,957,955
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	$ 30,826	$ 403,359	$ -	$ 270	$ 434,455
Due to other funds	9,953	-	-	13,580	23,533
Due to other governmental units	10,071	-	-	-	10,071
Accrued expenditures	56,119	-	-	-	56,119
Salaries payable	126,409	-	-	-	126,409
Total liabilities	233,378	403,359	-	13,850	650,587
Fund balances					
Nonspendable	2,076	-	-	-	2,076
Restricted	-	2,101,075	73,573	53,548	2,228,196
Unassigned	77,096	-	-	-	77,096
Total fund balances	79,172	2,101,075	73,573	53,548	2,307,368
Total liabilities and fund balances	$ 312,550	$ 2,504,434	$ 73,573	$ 67,398	$ 2,957,955

The accompanying notes to financial statements are an integral part of this statement.

ATLANTA COMMUNITY SCHOOLS

Reconciliation of Total Governmental Fund Balances to
Total Net Position - Governmental Activities

June 30, 2017

Total Governmental Fund Balances		$ 2,307,368
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:		
Capital assets not being depreciated	1,275,460	
Capital assets being depreciated	12,706,435	
Less: Accumulated depreciation	(6,233,012)	7,748,883
Accrued interest on long-term liabilities		(14,868)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities		
Compensated absences	(12,521)	
Net pension liability	(3,367,646)	
Related deferred inflows and outflows (net)	314,215	(3,065,952)
Revenue in support of pension contributions made subsequent to the measurement date is reported as deferred inflow of resources in the statement of net position and is not reported in the funds.		(103,455)
Long-term debt, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term debt at year end consist of:		
Bonds payable	(4,085,000)	
Premium on bonds payable	(67,497)	
Retirement incentive liabilities	(149,500)	(4,301,997)
Total Net Position - Governmental Activities		$ 2,569,979

ATLANTA COMMUNITY SCHOOLS

Governmental Funds - Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2017

	General Fund	Capital Project Fund	Debt Service Fund - 2015 Refunding Bond	Nonmajor Funds	Total Governmental Funds
REVENUES					
Local sources:					
Property taxes	$ 1,852,670	$ -	$ 380,467	$ -	$ 2,233,137
Transportation fees	6,270	-	-	-	6,270
Earnings on investments and deposits	1,001	2,215	584	34	3,834
Athletics revenue	12,911	-	-	-	12,911
Food sales	-	-	-	42,848	42,848
Miscellaneous local revenue	61,759	-	-	3,085	64,844
State sources	425,210	-	-	9,987	435,197
Federal sources	258,919	-	-	116,718	375,637
Interdistrict sources	79,411	-	-	-	79,411
Total revenues	2,698,151	2,215	381,051	172,672	3,254,089
EXPENDITURES					
Current:					
Instruction	1,553,371	-	-	-	1,553,371
Supporting services	1,091,870	-	-	-	1,091,870
Food services	-	-	-	159,035	159,035
Debt Service:					
Principal retirement	-	-	345,000	-	345,000
Interest and fees	-	-	19,073	40,450	59,523
Taxes charged back	-	-	15,859	-	15,859
Capital Outlay	-	1,281,145	-	-	1,281,145
Total expenditures	2,645,241	1,281,145	379,932	199,485	4,505,803
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	52,910	(1,278,930)	1,119	(26,813)	(1,251,714)
OTHER FINANCING SOURCES (USES)					
Transfers from other funds	-	5	-	67,502	67,507
Transfer out to other funds	(10)	(67,497)	-	-	(67,507)
Proceeds from sale of bonds	-	3,447,497	-	-	3,447,497
Total other financing sources (uses)	(10)	3,380,005	-	67,502	3,447,497
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	52,900	2,101,075	1,119	40,689	2,195,783
FUND BALANCES, beginning of the year	26,272	-	72,454	12,859	111,585
FUND BALANCES, end of the year	$ 79,172	$ 2,101,075	$ 73,573	$ 53,548	$ 2,307,368

The accompanying notes to financial statements are an integral part of this statement.

ATLANTA COMMUNITY SCHOOLS

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Funds to the Statement of Activities

Year ended June 30, 2017

Total net change in fund balances - governmental funds		$ 2,195,783
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:		
Capital asset additions	$ 1,280,973	
Current year depreciation expense	(289,771)	991,202
Bond proceeds provide current financial resources to governmental funds; however issuing debt increases long-term liabilities in the statement of net position. In the current period, proceeds were received from:		
2016 School Building and Site Bonds		(3,447,497)
The issuance of long-term debt provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds:		
Bonds payable	345,000	
Net change in pension expense:	(77,121)	267,879
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Net change in accrued interest payable:		
Accrued interest on long-term liabilities June 30, 2017	(14,868)	
Accrued interest on long-term liabilities June 30, 2016	7,229	(7,639)
Net change in accrued compensated absences:		
Accrued compensated absences June 30, 2017	(12,521)	
Accrued compensated absences June 30, 2016	11,317	(1,204)
Net change in early retirement incentives:		
Early retirement incentives June 30, 2017	(149,500)	
Early retirement incentives June 30, 2016	188,500	39,000
Change in Net Position of Governmental Activities		$ 37,524

The accompanying notes to financial statements are an integral part of this statement.

ATLANTA COMMUNITY SCHOOLS

Fiduciary Funds - Agency Fund (Student Activities)
Statement of Assets and Liabilities

June 30, 2017

	Student Activity Fund
ASSETS	
Cash and cash equivalents	$ 7,613
Investments	37,544
Total assets	$ 45,157
LIABILITIES	
Accounts Payable	$ 3,047
Due to student groups	42,110
Total liabilities	$ 45,157

The accompanying notes to financial statements are an integral part of this statement.

NOTE 1--SIGNIFICANT ACCOUNTING POLICIES.

The financial statements of Atlanta Community Schools (the "School District") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the School District's accounting policies are described below:

A. Description of Operations and Reporting Entity.

Description of Operations. The School District operates under a locally elected seven-member board form of government and provides educational and supportive services to students K-12 as mandated by the State of Michigan and/or federal agencies. The School District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. The Board is responsible for adopting and amending budgets and for administering the school programs in accordance with governing laws and provides services to approximately 258 students in grades K-12.

Reporting Entity. A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Atlanta Community Schools, this includes general operations, capital projects, food services, debt retirement, and student and supportive service activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves their budget, the issuance of their debt, or the levying of taxes. The School District has no component units.

B. Fund Accounting.

Fund Accounting. The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. Major funds are presented individually in the fund-level financial statements. The School District's major funds are the General Funds, Capital Project Fund and Debt Service Fund – 2015 Bond Refunding. The financial activities of the School District are recorded in the following fund types and individual funds.

Governmental Funds. Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

General Fund. This fund is the primary operating fund. It is used to record the general operations of the School District pertaining to education and those transactions not accounted for in another fund. Included are all transactions related to the approved current operating budget.

Special Revenue Funds. Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service and capital projects. The special revenue fund of the School District is the Food Service Fund. The school district provides nutritional free or low cost meals to students. Major sources of funding are comprised of federal and state grants, as well as charges for services.

Debt Retirement Funds. These funds are used to account for and report all financial resources that are restricted, committed, or assigned for retirement of bonded indebtedness and the related payments for debt service

NOTE 1--SIGNIFICANT ACCOUNTING POLICIES. (continued)

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Capital Project Fund. The Capital Projects Fund is used to account for resources for the acquisition of capital facilities by the School District.

Fiduciary Funds. Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for others. The School District presently maintains an agency fund to record the transactions of student groups for school and school related purposes. Fiduciary funds are not included in the government-wide statements.

C. Basis of Presentation.

Government-wide Financial Statements. The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The financial activities of Atlanta Community Schools are all considered governmental and do not reflect any business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements. Fund financial statements report detailed information about the School District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting.

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

NOTE 1--SIGNIFICANT ACCOUNTING POLICIES. (continued)

Revenues. Exchange and non-exchange transactions: Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the School District, available means expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis.

On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes available in advance, interest, tuition, grants, student fees and rentals.

Unearned Revenue. Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

Expenses/Expenditures. On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Cash and Cash Equivalents. Cash equivalents include certificates of deposit and other short-term, highly liquid investments that are readily convertible to known amounts of cash.

Investments. During the fiscal year ended June 30, 2017, investments were limited to money market accounts. Investments are valued at cost which equals market value.

Inventories and Supplies. On government-wide financial statements inventories and supplies are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items are recorded as an expenditure in the governmental fund types when purchased.

Prepaid Assets. Payments made to vendors for services that will benefit periods beyond June 30, 2017 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

NOTE 1--SIGNIFICANT ACCOUNTING POLICIES. (continued)

Interfund Balances. On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental columns of the statement of net assets.

Capital Assets. General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a $5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities Estimated Lives
Buildings and Improvements	20 – 50 years
Furniture, Fixtures and Equipment	5 – 20 years
School Buses	7 years
Fleet Vehicles	7 years

Accrued Liabilities and Long-Term Obligations. All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

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 (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. 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.

Compensated Absences. The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16. *"Accounting for Compensated Absences."* Sick leave benefits are accrued as a liability using the vesting method. An accrual for earned sick leave is made based on accumulated sick leave and wage rates at year-end, taking into consideration limits specified in the School District's termination policy.

NOTE 1--SIGNIFICANT ACCOUNTING POLICIES. (continued)

The entire compensated absences liability is reported on the government-wide financial statements. For the governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. The noncurrent portion of the liability is not reported in the government fund financial statements.

These amounts, if any, are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid.

State Categorial Revenue. The School District also receives revenue from the State of Michigan to administer certain educational programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Funds received which are not expended by the close of the fiscal year are recorded as unearned revenue.

Interfund Activity. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Economic Dependency. The School District received approximately 17.7% of their revenue from the Michigan Department of Education from state aid and federal grants. Due to the significance of these revenue sources to the School District, is considered to be economically dependent.

Fund Equity. The School District has implemented GASB Statement No. 54 *"Fund Balance Reporting and Governmental Fund Type Definitions"*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- **Nonspendable fund balance**-amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

- **Restricted fund balance**-amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

- **Committed fund balance**-amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

- **Assigned fund balance**-amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;

- **Unassigned fund balance**-amounts that are available for any purpose; Unassigned amounts are reported only in the general fund.

The School District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund.

NOTE 1--SIGNIFICANT ACCOUNTING POLICIES. (continued)

Assigned fund balance is established by the School District through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

In the general fund, the School District strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 10% of the actual GAAP basis expenditures and other financing sources and uses. The School District has no policy on replenishing deficiencies.

The School District has not established a policy for its use of unrestricted fund balance amounts. Therefore, in accordance with GASB Statement No. 54, committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net Position. Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resouces. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Encumbrances. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the School District. Commitments outstanding at year end are charged against the subsequent year's appropriation once received and approved.

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 expenditures during the reporting period. Actual results could differ from those estimates.

Reclassification. Certain items reported in the June 30, 2016 financial statements may have been reclassified to conform with the presentation for the current year.

NOTE 2--LEGAL COMPLIANCE.

Budgets and Budgetary Accounting. Prior to adoption of the budgets, the school administration prepares and submits their proposed operating budgets commencing the following July 1. A public hearing is conducted to obtain interested party comments. Prior to July 1 the budget is adopted by the Board of Education. Budgeted amounts are as originally adopted or as amended by the Board of Education. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30. The School District does not consider these amendments to be significant. Unused appropriations at June 30 are not carried forward to the following year.

The provisions of the Uniform Budgeting and Accounting Act, P.A. 621 became effective in July 1981. The Act provides major revenue categories and expenditure functions that constitute minimal levels. The Atlanta Community Schools' budget was legally enacted on a functional level. P.A. 621 provides that a school district shall not incur expenditures in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section (RSI).

NOTE 3--DEPOSITS AND INVESTMENTS.

As of June 30, 2017, the School District had the following deposits held with Alpena Alcona Area Credit Union as reported in the basic financial statements:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash - checking/savings	$ 2,690,066	$ 7,613	$ 2,697,679
Investments - money market	$ 104,676	$ 37,544	$ 142,220

Fair Value Measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is also established which required an entity to maximize the use of observable and minimize the use of unobservable inputs.

There are three (3) levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical securities

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

Level 3: Prices determined using significant unobservable inputs. Unobservable inputs may be used in situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period). Unobservable inputs reflect the organization's own assumptions about the factors market participants would use in pricing an investment, and would be based on the best information available.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying financial statements, as well as the general classification of such instruments pursuant to the valuation hierarchy.

	Fair Value Measurements				
	Investments not measured at fair value	Levels			Total
		Level 1	Level 2	Level 3	
Money Markets	$ 142,220	$ -	$ -	$ -	$ 142,220
	$ 142,220	$ -	$ -	$ -	$ 142,220

NOTE 3--DEPOSITS AND INVESTMENTS. (continued)

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

Credit Risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2017, the School District did not have any investments which have this type of risk.

Concentration of Credit Risk. The School District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the School District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

FDIC Insurance provides $250,000 coverage for aggregated interest and noninterest bearing accounts per insured bank.

The Board of Education authorized the following financial institutions for the investment of the District's funds for the year ended June 30, 2017: Alpena Alcona Area Credit Union.

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. As of June 30, 2017, there was $3,104,706 of the School District's bank balance of $3,358,101 that was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

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

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

NOTE 4 --INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances at June 30, 2017 is as follows:

	Interfund Receivable	Interfund Payable
Governmental Funds		
General Fund	$ 13,580	$ 9,953
School Lunch Fund	9,953	13,580
	$ 23,533	$ 23,533

NOTE 4--INTERFUND RECEIVABLES AND PAYABLES. (continued)

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made. All amounts are expected to be repaid within one year.

NOTE 5--INTERFUND TRANSFERS.

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, move receipts restricted to debt service from the funds collecting the receipts to the fund servicing the debt as debt payments become due, and use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

	Transfer In	Transfer Out
General fund	$ -	$ 10
Debt service fund - 2016 bond	67,502	-
Capital projects fund	5	67,497
	$ 67,507	$ 67,507

NOTE 6--CAPITAL ASSETS.

Capital assets activity for the fiscal year ended June 30, 2017 was as follows:

	Balances June 30, 2016	Additions	Disposals and Adjustments	Balances June 30, 2017
Capital assets not being depreciated:				
Land	$ 1	$ -	$ -	$ 1
Construction in progress	-	1,275,459	-	1,275,459
	1	1,275,459	-	1,275,460
Capital assets being depreciated:				
Buildings and improvements	10,662,924	-	-	10,662,924
Furniture, fixtures and equipment	1,735,586	5,514	-	1,741,100
Vehicles and buses	302,411	-	-	302,411
	12,700,921	5,514	-	12,706,435
Less accumulated depreciation:				
Buildings and improvements	(4,211,045)	(190,232)	-	(4,401,277)
Furniture, fixtures and equipment	(1,507,695)	(64,935)	-	(1,572,630)
Vehicles and buses	(224,501)	(34,604)	-	(259,105)
	(5,943,241)	(289,771)	-	(6,233,012)
Net capital assets	$ 6,757,681	$ 991,202	$ -	$ 7,748,883

Depreciation expense was not allocated to governmental functions. It appears on the statement of activities as "unallocated".

NOTE 7--LONG-TERM DEBT (including current portions).

The following is a summary of governmental long-term obligations for the School District for the year ended June 30, 2017:

	Balances June 30, 2016	Additions	(Deductions)	Balances June 30, 2017	Due within one year
General Obligation Bonds:					
2015 Refunding Bond Dated 3/24/15 Amount of issue - $1,515,000 Maturing through 2019 Interest rate range 0.85%-2.20% Principal maturity range $345,000-$465,000	$ 1,050,000	$ -	$ 345,000	$ 705,000	$ 350,000
2016 School Building and Site Bond Dated 10/18/2016 Amount of issue - $3,380,000 Maturing through 2031 Interest rate range 2.00%-3.00% Principal maturity range $45,000-$320,000	-	3,380,000	-	3,380,000	45,000
Total bond obligations	1,050,000	3,380,000	345,000	4,085,000	395,000
Other long-term obligations:					
Compensated absences	11,317	12,521	11,317	12,521	-
Early retirement incentive	188,500	-	39,000	149,500	32,500
Total Other Long-term obligatio	199,817	12,521	50,317	162,021	32,500
Total Long-Term Debt	$ 1,249,817	$ 3,392,521	$ 395,317	$ 4,247,021	$ 427,500

The annual requirements to pay principal and interest on bond obligations outstanding at June 30, 2017 are as follows:

For the year ending June 30,	Principal	Interest	Total Debt
2018	$ 395,000	$ 89,210	$ 484,210
2019	405,000	82,360	487,360
2020	230,000	73,550	303,550
2021	240,000	68,950	308,950
2022	245,000	64,150	309,150
2023-Thereafter	2,570,000	331,200	2,901,200
Grand Total	$ 4,085,000	$ 709,420	$ 4,794,420

NOTE 7--LONG-TERM DEBT (including current portions). (continued)

Defeasance of Debt. On March 24, 2015, the School District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for future debt service payments on the old bonds beginning in 2015 and ending 2019. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's financial statements.

General obligation Bonds. On August 29, 2016, the School District issued general obligation bonds to fund the construction of major building and site improvements. Principal payments on the bonds will begin in fiscal year 2018 and ending 2031. Accordingly, the trust account assets and the liability for the general obligation bonds are not included in the School District's financial statements.

Compensated Absences. The School District has contracted obligations to compensate eligible employees for absences from work for sick leave. Eligible employees are allowed to accumulate sick leave and the amounts so accumulated are payable at retirement or resignation subject to contractual limitations based on years of service. Union personnel may accumulate up to 180 days of sick leave of which $20 per day is payable upon retirement. Non-union personnel also may accumulate up to 180 days sick leave with the rate of pay per day varying depending on their contract. The amount of accumulated sick and vacation pay liability for the School District was $12,521 at June 30, 2017. The payment dates for accumulated sick and vacation pay are undeterminable.

Early Retirement Incentive Payable. The School District offers an early retirement incentive to certain teachers based on years of service and current wage scale payable over a five year period. The amount of retirement incentive liability for the School District at June 30, 2017 was $149,500 of which $32,500 was estimated as the current portion.

NOTE 8--OPERATING LEASE.

On October 20, 2015 the Atlanta Community School's entered into an operating lease agreement with Delage Landen Financial for rentals of two Saving Digital Copier Systems for sixty-three months at $763. The remaining lease payments under the operating lease are as follows:

Year ending June 30,	
2018	$ 9,159
2019	9,159
2020	9,159
2021	5,343
	$ 32,818

Current year lease payments were $8,434.

NOTE 9--FUND BALANCE RESTRICTIONS AND DESIGNATIONS:

Amounts of the various fund balances nonspendable or restricted at June 30 are as follows:

	General	Capital Project Fund	Debt Service Fund - 2015 Refunding	Nonmajor	Total Governmental Funds
Nonspendable:					
Prepaid assets	$ 2,076	$ -	$ -	$ -	$ 2,076
Restricted for:					
Debt service	-	-	73,573	27,052	100,625
Food service	-	-	-	26,496	26,496
Capital projects	-	2,101,075	-	-	2,101,075
Unassigned:					
Unassigned	77,096	-	-	-	77,096
	$ 79,172	$ 2,101,075	$ 73,573	$ 53,548	$ 2,307,368

NOTE 10--PROPERTY TAXES.

The assessed values of real and personal property situated in the School District are established annually by local taxing authorities as of December 31, and are equalized by the State at an estimated 50% of current market value. The property tax is levied on July 1 and becomes delinquent after September 14. Uncollected property taxes as of March 1 are added to the County delinquent tax rolls. By agreement with Montmorency County, the County purchases at face value the real property taxes receivable returned delinquent each March 1. The property value used for determining the amount of property tax levied is known as the "taxable value" (TV).

This differs from the State Equalized Value (SEV) by limiting annual increases to a cost-of-living adjustment or 5 percent, whichever is less. The Taxable Value (TV) for the 2016-17 school year in the Atlanta Community Schools was established at $66,077,763 for principal residence, qualified agricultural and qualified forest property and $100,779,473 for non-homestead property.

The State of Michigan levies 6.0000 mills on all property with the proceeds dedicated to the Michigan State Aid Fund. A local operating millage of 18.0000 mills, approved by the voters of the district, and as adjusted by the provisions of the Headlee Amendment, is levied against non-homestead property. The District voters also approved an additional 3.0000 mills for debt extinguishment.

NOTE 11 – TAX ABATEMENTS.

The School District receives reduced property tax revenue as a result of Industrial Facilities Tax exemptions (PA 198 of 1974 and/or Brownfield Redevelopment Agreements granted by cities within the boundaries of the School District. Industrial facility exemptions are intended to promote construction of new industrial facilities or to rehabilitate historical facilities; Brownfield redevelopment agreements are intended to reimburse taxpayers that remediate environmental contamination on their properties.

NOTE 11 --TAX ABATEMENTS. (continued)

For the fiscal year ended June 30, 2017, the School District's property tax revenue was reduced by approximately $10,000 under these programs.

The School District is reimbursed for lost revenue caused by tax abatements on the operating millage of non-homestead properties from the State of Michigan under the School Aid formula. The School District is not reimbursed for lost revenue from debt service millages. There are no abatements made by the School District.

NOTE 12--DEFINED BENEFIT PENSION PLAN.

A. Plan Description.

The Michigan Public School Employees' Retirement System (System or 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 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 at www.michigan.gov/mpsers-cafr.

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 calculated as final average compensation times years of service times a pension factor ranging from 1.25% to 1.5%. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension, but as permanently reduced to .5% for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100% of the participant's final average compensation, with an increase of 2% each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits, but with an actuarial reduction.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3%. For some members who do not receive an annual increase, they are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

NOTE 12--DEFINED BENEFIT PENSION PLAN. (continued)

Contributions

Public Act 300 of 1980, as amended, required the School District to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the state legislature. Under these provisions, each district's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

The School District's contributions are determined based on employee elections. There are seven different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS.

The range of rates are as follows:

October 1, 2015 – September 30, 2016	14.56% - 18.95%
October 2, 2016 – June 30, 2017	15.27% - 19.03%

Depending on the plan selected, plan member contributions range from 0% up to 7% of gross wages. Plan members electing into the defined contributions plan are not required to make additional contributions.

The School District's required and actual contributions to the plan for the year ended June 30, 2017 were $316,905. The School District's required and actual contributions include an allocation of $103,455 in revenue received from the State of Michigan, and remitted to the System, to the fund the MPSERS unfunded actuarial accrued liability (UAAL) stabilization rate for the year ended June 30, 2017.

B. Pension Liabilities.

At June 30, 2017, the School District reported a liability of $3,367,646 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2015. The School District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2016 the School District's proportion was 0.0135%, which was a decrease of .00028% from its proportion measured as of September 30, 2015.

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

For the year ended June 30, 2017, the School District recognized pension expense of $271,980. At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 12--DEFINED BENEFIT PENSION PLAN. (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 41,970	$ 7,981
Changes of assumptions	52,651	-
Net difference between projected and actual earnings on pension plan investments	55,970	-
Changes in proportion and differences between Districts and proportionate share of contributions	262	100,637
District contributions subsequent to the measurement date	271,980	-
Total	$ 422,833	$ 108,618

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred (Inflow) and Deferred Outflow of Resources by Year
(To be Recognized in Future Pension Expenses)

Year Ending September 30	Amount
2017	$ (5,254)
2018	$ (9,656)
2019	$ 53,866
2020	$ 3,279

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.

NOTE 12--DEFINED BENEFIT PENSION PLAN. (continued)

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2015
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	3.5%
Investment Rate of Return:	
- MIP and Basic Plans (Non-Hybrid):	8.0%
- Pension Plus Plan (Hybrid):	7.0%
Projected Salary Increases:	3.5 – 12.3%, including wage inflation at 3.5%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members

Mortality: RP-2000 Male and Female Combined Healthy Life Mortality Tables, adjusted for mortality improvements to 2025 using projection scale BB. This assumption was first used for the September 30, 2014 valuation of the System. For retirees, 100% of the table rates were used. For active members, 80% of the table rates were used for males and 70% of the table rates were used for females.

Notes:

- *Assumption changes as a result of an experience study for the period 2007 through 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation. The total pension liability as of September 30, 2016, is based on the results of an actuarial valuation date of September 30, 2015, 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: [4.6273 for non-university employers 1.2456 for university employers].*
- *Recognition period for assets in years is 5.000.*
- *Full actuarial assumptions are available in the 2016 MPSERS Comprehensive Annual Financial Report. (www.michigan.gov/mpsers-cafr)*

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, 2016, are summarized in the following table:

NOTE 12--DEFINED BENEFIT PENSION PLAN. (continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return*
Domestic Equity Pools	28.0%	5.9%
% Alternative Investment Pools	18.0%	9.2%
International Equity	16.0%	7.2%
Fixed Income Pools	10.5%	0.9%
Real Estate and Infrastructure Pools	10.0%	4.3%
Absolute Return Pools	15.5%	6.0%
Short Term Investment Pools	2.0%	0.0%
TOTAL	100.0%	

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

Discount Rate

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

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

The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 8.0% (7.0% for the Hybrid Plan), as well as what the School 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 higher:

1% Decrease (Non-Hybrid/Hybrid) 7.0% / 6.0%	Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) 8.0% / 7.0%	1% Decrease (Non-Hybrid/Hybrid) 9.0% / 8.0%
$ 4,336,680	$ 3,367,646	$ 2,550,656

Michigan Public School Employees' Retirement System (MPSERS) Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPSERS CAFR, available at www.michigan.gov/mpsers-cafr.

Payable to the Pension Plan. At year end, the School District is current on all required pension plan payments. Amounts accrued at year end for accounting purposes are reported in the financial statements as

NOTE 12--DEFINED BENEFIT PENSION PLAN. (continued)

accrued expenses. These amounts represent current payments for June paid in July, accruals for summer pay (primarily for teachers) and the contributions due funded from state aid revenue section 147c restricted to fund the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization rate contributions.

NOTE 13-- OTHER POST-EMPLOYMENT BENEFITS (OPEB).

Under the MPSERS act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental and vision coverage through MPSERS. Retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10%, or 20% for those not Medicare eligible, of the monthly premium amount for the health, dental and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits on a pay-as-you-go basis. Participating employers are required to contribute at that rate. The employer contribution rate ranged from 6.4% to 6.83% of covered payroll for the period from July 1, 2016 to September 30, 2016 and from 5.69% to 5.91% of covered payroll for the period from October 1, 2016 through June 30, 2017 dependent upon the employee's date of hire and plan election as noted above. Members can choose to contribute 3% of their covered payroll to the Retiree Healthcare Fund and keep this premium subsidy benefit or they can elect not to pay the 3% contribution and instead choose the Personal Healthcare Fund, which can be used to pay healthcare expenses in retirement. Members electing the Personal Healthcare Fund will be automatically enrolled in a 2% employee contribution into their 457 accounts as of their transition date and create a 2% employer match into the employee's 403B account.

The School District's contribution to the plan for retiree healthcare benefits for the years ended June 30, 2017 was $106,779. In addition, a portion ranging from 35%-100% of the MPSERS Unfunded Actuarial Accrued Liability (UAAL) Stabilization Rate is considered a contribution to the retiree healthcare plan.

NOTE 14--RISK MANAGEMENT.

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, and natural disasters. The School District manages its risk exposures and provides certain employee benefits through a combination of self-insurance programs, risk management pools and excess insurance coverage policies. Following is a summary of these self-insurance programs and risk management pool participation.

The School District participates in the MASB-SEG Property and Casualty Pool for general and automobile liability, motor vehicle physical damage and property damage coverage. The MASB-SEG Property/Casualty Pool, Inc. was established in May 1985, pursuant to the laws of the State of Michigan. The purpose of the pool is to provide cooperative and comprehensive risk financing and control services. Member premiums are used to purchase excess insurance coverage and pay member claims in excess of deductible amounts. The deductible amount of any one loss ranges from $250 to $1,000 with a maximum coverage amount of $1,000,000 for general liability and $2,000,000 for errors and omission claims.

The School District also participates in the SEG-Self-Insured Worker's Disability Compensation Fund for its Workers Compensation liabilities with coverage specific/statutory (unlimited) employers' liability of $1,000,000.

The School District has purchased commercial insurance for medical, life insurance, long-term disability, dental and vision benefits claims for employees and their eligible dependents.

NOTE 15--CONTINGENCIES, CLAIMS AND LITIGATION.

At various times there may be certain claims or lawsuits, either asserted or unasserted, pending against the School District. It is the policy of the Atlanta Community Schools to record a liability for any contingency, claim or lawsuit when the loss is probable and an amount can be reasonably estimated. The School District is not aware of any loss contingencies that have not been recorded.

NOTE 16--SUBSEQUENT EVENTS.

Management has evaluated subsequent events through the date of the Independent Auditor's Report, the date on which the financial statements were originally available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

ATLANTA COMMUNITY SCHOOLS

Required Supplementary Information
Budgetary Comparison Schedule - General Fund

Year ended June 30, 2017

	Budget Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Local sources	$ 1,925,815	$ 1,926,201	$ 1,934,611	$ 8,410
Noneducational sources	5,700	-	-	-
State sources	342,163	441,119	425,210	(15,909)
Federal sources	243,257	279,406	258,919	(20,487)
Interdistrict sources	65,000	81,246	79,411	(1,835)
Total revenues	2,581,935	2,727,972	2,698,151	(29,821)
EXPENDITURES				
INSTRUCTION:				
Elementary	440,450	446,429	437,400	9,029
High school	667,264	675,854	666,355	9,499
Special education	149,305	146,305	150,074	(3,769)
Compensatory education	282,255	306,134	299,542	6,592
	1,539,274	1,574,722	1,553,371	21,351
SUPPORTING SERVICES:				
Pupil services	17,100	17,100	17,100	-
Instructional staff	43,689	56,960	44,479	12,481
General administration	180,950	189,850	186,591	3,259
School administration	79,000	90,100	92,435	(2,335)
Business services	170,925	225,475	229,549	(4,074)
Operations and maintenance	272,410	269,830	260,344	9,486
Transportation services	138,345	166,595	155,614	10,981
Central services	49,500	55,867	44,320	11,547
Support services - other	66,900	64,900	61,438	3,462
	1,018,819	1,136,677	1,091,870	44,807
Total expenditures	2,558,093	2,711,399	2,645,241	66,158
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	23,842	16,573	52,910	36,337
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	(10)	(10)
	-	-	(10)	(10)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	23,842	16,573	52,900	36,327
FUND BALANCES, beginning of the year	26,272	26,272	26,272	-
FUND BALANCES, end of the year	$ 50,114	$ 42,845	$ 79,172	$ 36,327

ATLANTA COMMUNITY SCHOOLS

Required Supplementary Information
Budgetary Comparison Schedule
Debt Retirement Fund - 2015 Refunding Bonds

Year ended June 30, 2017

	Budget Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Local sources	$ 381,540	$ 381,540	$ 381,051	$ (489)
Total revenues	381,540	381,540	381,051	(489)
EXPENDITURES				
Debt service				
Principal	345,000	345,000	345,000	-
Interest and fees	19,572	19,072	19,073	(1)
Taxes charged back	-	15,900	15,859	41
Total expenditures	364,572	379,972	379,932	40
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	16,968	1,568	1,119	(529)
FUND BALANCES, beginning of the year	72,454	72,454	72,454	-
FUND BALANCES, end of the year	$ 89,422	$ 74,022	$ 73,573	$ (529)

ATLANTA COMMUNITY SCHOOLS

Required Supplementary Information
Budgetary Comparison Schedule
Capital Project Fund

Year ended June 30, 2017

	Budget Amounts			Variance with
	Original	Final	Actual	Final Budget
LOCAL SOURCES				
Earnings on investments and deposits	$ 1	$ 1	$ 2,215	$ 2,214
Total revenues	1	1	2,215	2,214
EXPENDITURES				
Capital outlay	3,224,000	3,224,000	1,281,145	1,942,855
Total expenditures	3,224,000	3,224,000	1,281,145	1,942,855
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,223,999)	(3,223,999)	(1,278,930)	(1,940,641)
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	1	1	5	4
Transfer out to other funds	(67,497)	(67,497)	(67,497)	-
Proceeds from sale of bonds	3,447,497	3,447,497	3,447,497	-
Total other financing sources (uses)	3,380,001	3,380,001	3,380,005	4
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	156,002	156,002	2,101,075	(1,940,637)
FUND BALANCES, beginning of the year	-	-	-	-
FUND BALANCES, end of the year	$ 156,002	$ 156,002	$ 2,101,075	$ (1,940,637)

ATLANTA COMMUNITY SCHOOLS

Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability

Michigan Public School Employees' Retirement Plan
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	2016	2015	2014
A. Reporting unit's proportion of net pension liability (%)	0.01350%	0.01378%	0.01411%
B. Reporting unit's proportionate share of net pension liability	$ 3,367,646	$ 3,377,709	$ 3,108,312
C. Reporting unit's covered-employee payroll	$ 1,135,782	$ 1,274,118	$ 1,213,187
D. District's proportionate share of net pension liability as a percentage of its covered-employee payroll (%)	297%	265%	256%
E. Plan fiduciary net position as a percentage of total pension liability	63.27%	63.17%	66.20%

Changes in benefit terms: There were no changes of benefit terms in 2016.

Changes in benefit assumptions: There were no changes of benefit assumptions in 2016.

Changes in size or composition of the covered population: There were not significant changes in size or composition of the covered population in 2016.

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available, beginning with FYE September 30, 2014.

ATLANTA COMMUNITY SCHOOLS

Required Supplementary Information
Schedule of the District's Contributions

Michigan Public School Employees' Retirement Plan
Last 10 Reporting Unit Fiscal Years (Amounts determined as of 6/30 of each year)

	2017	2016	2015
A. Statutorily required contributions	$ 303,105	$ 265,908	$ 247,150
B. Contributions in relation to statutorily required contributions*	$ 316,904	$ 258,747	$ 247,189
C. Contribution deficiency (excess)	$ (13,799)	$ 7,161	$ (39)
D. District covered-employee payroll	$ 1,171,200	$ 1,170,608	$ 1,114,363
E. Contributions as a percentage of covered-employee payroll	27.06%	22.10%	22.18%

*Contributions in relation to statutorily required contributions are the contributions a reporting unit actually made to MPSERS, which may differ from the statutorily required contributions.

Changes in benefit terms: There were no changes of benefit terms in 2017.

Changes in benefit assumptions: There were no changes of benefit assumptions in 2017.

Changes in size or composition of the covered population: There were not significant changes in size or composition of the covered population in 2017.

This schedule is to be built prospectively. Until a full 10-year trend is compiled, the schedule will show information for those years for which data is available, beginning with FYE June 30, 2015.

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OTHER SUPPLEMENTAL INFORMATION

ATLANTA COMMUNITY SCHOOLS

Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2017

	2016 School Building and Site Bond	Food Service Fund	Total Nonmajor Funds
ASSETS			
Cash and cash equivalents	$ 27,052	$ 6,819	$ 33,871
Due from other funds	-	9,953	9,953
Due from other governmental units	-	582	582
Investments	-	22,992	22,992
Total assets	$ 27,052	$ 40,346	$ 67,398
LIABILITIES			
Accounts payable	$ -	$ 270	$ 270
Due to other funds	-	13,580	13,580
Total liabilities	-	13,850	13,850
NET POSITION			
Restricted:			
Debt service	27,052	-	27,052
Food service	-	26,496	26,496
Total net position and liabilities	$ 27,052	$ 40,346	$ 67,398

ATLANTA COMMUNITY SCHOOLS

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds

Year Ended June 30, 2017

	2016 School Building and Site Bond	Food Service Fund	Total Nonmajor Funds
REVENUES			
LOCAL SOURCES			
Earnings on investments and deposits	$ -	$ 34	$ 34
Food sales	-	42,848	42,848
Miscellaneous local revenues	-	3,085	3,085
State sources			
State aid	-	9,987	9,987
Federal sources			
National school lunch / breakfast	-	106,573	106,573
USDA donated commodities	-	10,145	10,145
Total revenues	-	172,672	172,672
EXPENDITURES			
Debt service:			
Interest and fees	40,450	-	40,450
Food service:			
Salaries	-	42,200	42,200
Employee benefits	-	20,191	20,191
Purchased services	-	13,165	13,165
Supplies and materials	-	82,458	82,458
Payments to other districts	-	1,021	1,021
Total expenditures	40,450	159,035	199,485
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(40,450)	13,637	(26,813)
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	67,502	-	67,502
Transfers to other funds	-	-	-
Total other financing sources (uses)	67,502	-	67,502
NET CHANGE IN FUND BALANCES	27,052	13,637	40,689
FUND BALANCES, beginning of the year	-	12,859	12,859
FUND BALANCES, end of the year	$ 27,052	$ 26,496	$ 53,548

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ATLANTA COMMUNITY SCHOOLS

Agency Fund - Student Activities
Statement of Receipts, Disbursements and Deposits Held

Year Ended June 30, 2017

	June 30, 2016	Receipts & Transfers	Disbursements & Transfers	June 30, 2017
Baseball - Donations	$ 1,389	$ 805	$ 1,836	$ 358
Basketball Boys Jr High	276	450	676	50
Basketball Boys JV/Varsity	1,008	1,912	1,803	1,117
Basketball Camp	256	-	-	256
Basketball Girls Junior High	129	1,300	-	1,429
Basketball Girls JV/Varsity	1,121	208	766	563
Canada Creek Scholarship	22	4,500	4,500	22
Cheerleading	441	109	500	50
Class of 2017	4,386	3,281	7,359	308
Class of 2018	3,269	650	1,666	2,253
Class of 2019	226	582	748	60
Class of 2020	1,239	426	-	1,665
Class of 2021	591	445	-	1,036
Class of 2022	262	-	-	262
Class of 2023	-	218	-	218
Football Fundraising	610	440	-	1,050
Homecoming	3	-	-	3
Interest	737	97	373	461
Library	121	12	-	133
Music	7,278	304	1,659	5,923
National Honor Society	497	-	298	199
ROV Program	79	-	50	29
School Success	1,027	-	177	850
Science Camp	9,564	9,190	1,372	17,382
Ski Club	3,294	27	734	2,587
Softball Donations	1,172	435	1,172	435
Special Projects	2,388	3,557	5,695	250
Student Council Elementary	748	3,042	2,081	1,709
Student Council High School	557	2,450	2,808	199
Suspense	220	-	-	220
Volleyball	210	282	492	-
Yearbook	1,034	38	38	1,034
Totals	$ 44,154	$ 34,760	$ 36,803	$ 42,111

ATLANTA COMMUNITY SCHOOLS

Schedule of Indebtedness

June 30, 2017

	Interest	Fiscal Year of Maturity	Principal Payable	Annual Interest Payable
GENERAL OBLIGATION BONDS				
2015 School Refunding Bonds	1.70%	2018	$ 350,000	$13,760
Date of issue: March 24, 2015	2.20%	2019	355,000	7,810
Amount of issue: $1,515,000				
			705,000	21,570
GENERAL OBLIGATION BONDS				
2016 School Building and Site Bonds	2.00%	2018	45,000	75,450
Date of issue: August 29, 2016	2.00%	2019	50,000	74,550
Amount of issue: $3,380,000	2.00%	2020	230,000	73,550
	2.00%	2021	240,000	68,950
	2.00%	2022	245,000	64,150
	2.00%-3.00%	2023 - Thereafter	2,570,000	331,200
			3,380,000	687,850
OTHER LONG-TERM OBLIGATIONS				
Compensated absences			12,521	-
Early retirement incentive payable			149,500	-
			162,021	-
			$4,247,021	$21,570

Straley Lamp & Kraenzlein P.C.
Certified Public Accountants

Philip T. Straley, CPA/PFS
Bernard R. Lamp, CPA
James E. Kraenzlein, CPA/ABV/CFF
Gary C. VanMassenhove, CPA
J. Michael Kearly, CPA
Robert D. Ilsley, CPA
Mark L. Sandula, CPA
Jeffrey A. Taphouse, CPA
John D. Faulman, CPA
Andrew R. Lamp, CPA
Donald C. Levren

Gordon A. Nethercut, CPA-Retired

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

To the Board of Education
Atlanta Community Schools
Atlanta, Michigan 49709

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 the **Atlanta Community Schools,** as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the **Atlanta Community Schools'** basic financial statements, and have issued our report thereon dated October 10, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the **Atlanta Community Schools'** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the **Atlanta Community Schools'** internal control. Accordingly, we do not express an opinion on the effectiveness of the **Atlanta 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Compliance and Other Matters

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

2106 US 23 South, PO Box 738, Alpena, MI 49707 Telephone (989) 356-4531 Facsimile (989) 356-0494 Website silcpa.com

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

Straley Lamp & Kraenzlein P.C.

October 10, 2017