



**ATLANTA COMMUNITY SCHOOLS
FINANCIAL REPORT
WITH SUPPLEMENTAL INFORMATION
June 30, 2020**

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INDEPENDENT AUDITORS' 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 Atlanta Community Schools, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Atlanta Community Schools' 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 from 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 Atlanta Community Schools, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Budgetary Comparison Schedule 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.

Prior year information

The financial statements contain summarized total information as of and for the year ended June 30, 2019. The prior year information was obtained from the audited financial statements of the prior year and is consistent, in all material respects, with the audited financial statements from which it was derived.

Other Information

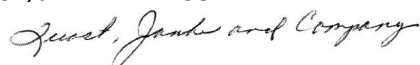
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Atlanta Community Schools' basic financial statements. The fiduciary fund schedule and the schedules of indebtedness are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Indebtedness Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Indebtedness Schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated October 1, 2020, on our consideration of 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Atlanta Community Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Atlanta Community Schools' internal control over financial reporting and compliance.

QUAST, JANKE AND COMPANY



Certified Public Accountants, P.C

Bay City, Michigan 48708

October 1, 2020

ATLANTA COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

This section of Atlanta Community Schools' annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2020. Please read it in conjunction with the School District's financial statements, which immediately follows 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 financially as a whole. The District-wide Financial Statements provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds – the General Fund, the Food Service Fund, the Fiduciary Fund Statement of Net Position, the 2016 Debt Retirement Fund and the 2018 Debt Retirement Fund. 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.

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

Basic Financial Statements

District-wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

Required Supplemental Information

Budgetary Information for the Major Funds

Schedule of Reporting Units Contributions and Liability

Notes to the Required Supplementary Information

Other Supplemental Information

ATLANTA COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

Reporting the School District as a Whole

District-wide Financial Statements

One of the most important questions asked about the School District is, “As a whole, what is the School District’s financial condition as a result of the year’s activities?” The statement of net position and the statement of activities, which appear first in the School District’s financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year’s revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District’s net position – the difference between assets and liabilities, as reported in the statement of net position – as one way to measure the School District’s financial health or financial 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. However, the School District’s goal is to provide services to their students, not to generate profits as commercial entities strive to do. One must consider many other nonfinancial factors, such as the quality of the education provided to students and the safety of the schools, to assess the overall health of the School District.

The statements 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, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), 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 or by bond covenants. Other funds are established to help the School District control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants, and other sources of revenue. The School District’s two types of funds, governmental and fiduciary, use different accounting approaches as further described in the notes to the financial statements.

ATLANTA COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

Governmental funds

Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps the reader determine what financial resources are readily available to spend in the near future to finance the School District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the basic financial statements.

District-wide Financial Analysis

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, 2020 and 2019:

Table 1

	Governmental Activities	
	June 30, 2020	June 30, 2019
Assets:		
Current and other assets	\$ 2,792,061	\$ 2,928,725
Capital assets - net of accumulated depreciation	10,035,268	9,734,790
 Total Assets	 12,827,329	 12,663,515
 Deferred outflows of resources	 1,539,989	 1,533,281
Liabilities:		
Current liabilities	930,368	627,357
Long-term liabilities	10,698,431	10,953,361
 Total liabilities	 11,628,799	 11,580,718
 Deferred inflows of resources	 793,227	 751,274
Net Position:		
Net investment in capital assets	4,364,426	3,689,833
Restricted - Debt service	51,797	61,753
Restricted - Food service	76,787	42,464
Restricted - Capital projects	1,773,837	2,374,332
Unrestricted	(4,321,555)	(4,303,578)
 Net Position	 \$ 1,945,292	 \$ 1,864,804

ATLANTA COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

The above analysis focuses on the net position (see Table 1). The School District's net position was \$1,945,292 at June 30, 2020. Net investment in capital assets totaling \$4,364,426 compares original cost less depreciation of the School District's capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net position is reported separately to show legal constraint from debt requirements and legislation that limit the School District's ability to use those net position for day-to-day operations.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net position for fiscal years 2020 and 2019.

Table 2

	Governmental Activities	
	Year Ended June 30,	
	2020	2019
Revenue:		
Program revenue:		
Charges for services	\$ 40,771	\$ 65,187
Grants and categorical	973,595	803,075
General revenue:		
Property taxes	2,314,637	2,378,971
State PILT	-	-
State unrestricted	174,295	38,706
Investment earnings	44,557	69,163
Other	44,697	42,547
Total Revenue	3,592,552	3,397,649
Function/Program Expenses:		
Instruction	1,617,721	1,483,981
Support services	1,263,527	1,173,138
Community services	355	100
Food services	173,595	142,019
Interest on long-term debt	156,536	162,172
Depreciation (unallocated)	342,041	316,368
Total Expenses	3,553,775	3,277,778
Increase (Decrease) in Net Position	\$ 38,777	\$ 119,871

ATLANTA COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

As reported in the statement of activities, the cost of all of our governmental activities this year was \$3,553,775. Certain activities were partially funded from those who benefited from the program or by other governments and organizations that subsidized certain programs with grants and categoricals of \$936,747. We paid for the remaining "public benefit" portion of our governmental activities with \$2,314,637 in taxes, \$174,295 in state foundation allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced an increase in net position of \$38,777. A key reason for the change in net position was increase in revenues. The increase in net position differs from the change in fund balance and the reconciliation appears on page 17.

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 vast 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 to it 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 \$2,884,742, which is a decrease of \$476,349 from last year. The primary reason for this decrease was expenditures related to phase II of building and site bonds.

The General Fund balance available to fund general operational costs for instruction, administrative and support services increased \$78,216 to end the year at \$322,357. This can be attributed to slight decrease expenditures and increase in revenue. The school closure on March 16, 2020 due to COVID 19, resulted in less expenditures from being closed. Also the increase in revenue, was not as large of a cut due to a more favorable revenue conference in August, 2020.

The Food Service Fund Balance increased by \$34,323, this is due to an increase in revenue and decrease in expenses. The federal program that was approved to feed children during the closure resulted in a large increase in revenue due to reimbursement for meals being much higher and the ability to feed all children in our area that needed meals.

ATLANTA COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

General Fund Budgetary Highlights

Over the course of the year, the School District revises its budget as it attempts to deal with changes in revenue and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

Budgeted revenues were increased from the original budget by \$78,660. This was due to an increase in State Aid Categoricals that were unknown at the time of original budget and more tax revenue collected. It also was a direct result from the cut per pupil not being as large when the June budgets were due. The cut per pupil came on our August state aid and due to the August revenue conference, the cut was not as large as originally predicted by the state.

Budgeted expenditures increased from the original budget by \$122,893. This was due to an increase in the allocation for the increase in State Aid Categoricals.

Actual revenues were \$132,435 more than the final budget. This difference is due to an increase in revenue from other sources. It also was a direct result from the cut per pupil not being as large when the June budgets were due. The cut per pupil came on our August state aid and due to the August revenue conference, the cut was not as large as originally predicted by the state.

Actual expenditures were \$72,975 less than the final budget. This was due to a concerted effort to stay under budget.

ATLANTA COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

Capital Assets

At June 30, 2020, the School District had \$17,153,618 invested in a broad range of capital assets, including land, buildings, vehicles, and equipment. This amount represents a net increase (including additions and disposals) of \$642,519.

	2020	2019
Land	\$ 1	\$ 1
Construction in progress	861,533	228,568
Buildings and improvements	14,088,622	14,088,622
Buses and other vehicles	433,414	433,414
Equipment	<u>1,770,048</u>	<u>1,760,494</u>
Total Capital Assets	17,153,618	16,511,099
Less Accumulated Depreciation	<u>7,118,350</u>	<u>6,776,309</u>
Net Capital Assets	<u><u>\$ 10,035,268</u></u>	<u><u>\$ 9,734,790</u></u>

This year's additions of \$642,519 consisted of the following:

Various equipment	\$ 9,554
Buses	-
Building improvements	<u>632,965</u>
	<u><u>\$ 642,519</u></u>

ATLANTA COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2020

Debt

At the end of this year, the School District had \$5,670,842 in long-term debt outstanding versus \$6,051,458 in the previous year. The debt was made up of only the three general obligation bonds and a bus note.

The School District's General Obligation Bond rating continues to be equivalent to the State's credit rating. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this limit. The School District's outstanding unqualified general obligation debt of \$5,555,000 is significantly below the statutorily imposed limit.

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2021 fiscal year budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2021 fiscal year is 90 percent and 10 percent of the October 2020 and February 2021 student counts, respectively. The 2020 fiscal year budget was adopted in June 2019, based on an estimate of students that will be enrolled in October of 2020. Approximately 6 percent of total General Fund revenues are from the unrestricted state aid. Under State law, the School District cannot access additional property tax revenue for general operations. As a result, School District funding is in part dependent on the State's ability to fund local school operation. Based on early enrollment data at the start of the 2020-2021 school year, we anticipate that the fall student count will be slightly less than the estimates used in creating the 2021 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget if actual School District resources are not sufficient to fund original appropriations.

Since the School District's revenue is heavily dependent on State funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenues to fund its appropriation to school districts. The State periodically holds a revenue-estimating conference to estimate revenues. Based on the results of the most recent conference, the State estimates a \$650 per pupil decrease in the foundation allowance for the fiscal year 2021.

Contacting the School District's Financial Management

This financial report is designed to provide the School District's citizens, taxpayers, customers, and 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 questions about this report or need additional financial information, contact the Business Manager, Jill Olsen at Atlanta Community Schools, 10500 County Road 489, Atlanta, Michigan 49709.

ATLANTA COMMUNITY SCHOOLS
STATEMENTS OF NET POSITION
June 30, 2020 and 2019

	2020	2019
ASSETS:		
Cash & equivalents	\$ 372,693	\$ 254,278
Accounts receivable	36,028	1,341
Taxes receivable	-	-
Due from other governmental units	84,578	118,611
Prepaid items	1,324	1,418
Investments	2,292,369	2,550,551
Inventories	5,069	2,526
Capital assets	17,153,618	16,511,099
Accumulated depreciation	(7,118,350)	(6,776,309)
Total Assets	12,827,329	12,663,515
DEFERRED OUTFLOWS OF RESOURCES:		
Related to pensions	1,242,683	1,326,758
Related to OPEB	297,306	206,523
Total Deferred Outflows of Resources	1,539,989	1,533,281
LIABILITIES:		
Accounts payable	343,436	53,396
Accrued payroll and other liabilities	160,573	152,638
Accrued interest	26,735	27,793
Compensated absences	22,559	35,230
Net OPEB liability	932,165	1,084,126
Net pension liability	4,391,753	4,089,295
Current portion of long term liabilities	399,624	393,530
Premium on bonds payable	67,737	73,783
Non current portion of long term liabilities	5,284,217	5,670,927
Total Liabilities	11,628,799	11,580,718
DEFERRED INFLOWS OF RESOURCES:		
Related to pensions	386,143	507,642
Related to OPEB	407,084	243,632
Total Deferred Inflows of Resources	793,227	751,274
NET POSITION:		
Investment in capital assets - net of related debt	4,364,426	3,689,833
Restricted for debt service	51,797	61,753
Restricted for food service	76,787	42,464
Restricted for capital projects	1,773,837	2,374,332
Unrestricted (deficit)	(4,321,555)	(4,303,578)
Total Net Position (deficit)	\$ 1,945,292	\$ 1,864,804

The accompanying notes are an integral part of the financial statements.

ATLANTA COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
Year Ended June 30, 2020 With Comparative Totals for 2019

		Program Revenues		Governmental Activities	
			Operating	Capital	Net (Expenses) Revenues And
	Expenses	Charges for	Grants/	Grants/	Changes in Net Position
		Services	Contributions	Contributions	2020 2019
GOVERNMENTAL ACTIVITIES:					
Instruction	\$ 1,617,721	\$ -	\$ 520,805	\$ -	\$ (1,096,916) \$ (952,690)
Supporting services	1,263,527	14,367	259,240	-	(989,920) (1,003,751)
Community services	355	-	355	-	- -
Food services	173,595	26,404	193,195	-	46,004 25,465
Interest on long term debt	156,536	-	-	-	(156,536) (162,172)
Depreciation (unallocated)	342,041	-	-	-	(342,041) (316,368)
Total Governmental Activities	<u>\$ 3,553,775</u>	<u>\$ 40,771</u>	<u>\$ 973,595</u>	<u>\$ -</u>	<u>(2,539,409) (2,409,516)</u>
GENERAL PURPOSE REVENUES:					
Property taxes, levied for operating purposes					1,822,652 1,884,435
Property taxes, levied for debt retirement					491,985 494,536
State school aid - unrestricted					174,295 38,706
State PILT					- -
Investment earnings					44,557 69,163
Other					44,697 42,547
Total General Purpose Revenues					<u>2,578,186 2,529,387</u>
Change in net position					38,777 119,871
Net Position (deficit) - Beginning of Year					1,864,804 1,744,933
Prior Period Adjustment - GASB 84					41,711 -
Net Position (deficit) - Beginning of Year, as Adjusted					1,906,515 1,744,933
Net Position (deficit) - End of Year					<u>\$ 1,945,292 \$ 1,864,804</u>

The accompanying notes are an integral part of the financial statements.

ATLANTA COMMUNITY SCHOOLS
GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 2020 With Comparative Totals at June 30, 2019

			2016 DEBT	2018 DEBT	2018 CAPITAL PROJECT	NONMAJOR STUDENT ACTIVITY	TOTALS JUNE 30,	
ASSETS	GENERAL	FOOD SERVICE	RETIREMENT	RETIREMENT	FUND	FUND	2020	2019
Cash	\$ 138,848	\$ 71,737	\$ 33,061	\$ 18,736	\$ 46,937	\$ 63,374	\$ 372,693	\$ 254,278
Taxes receivable	-	-	-	-	-	-	-	-
Accounts receivable	35,309	719	-	-	-	-	36,028	1,341
Grants receivable	12,039	-	-	-	-	-	12,039	35,730
Due from State of Michigan	71,654	885	-	-	-	-	72,539	82,881
Due from other funds	-	-	-	-	-	-	-	-
Prepaid items	1,324	-	-	-	-	-	1,324	1,418
Investments	261,426	-	-	-	2,030,943	-	2,292,369	2,550,551
Inventory	-	5,069	-	-	-	-	5,069	2,526
	<u>520,600</u>	<u>78,410</u>	<u>33,061</u>	<u>18,736</u>	<u>2,077,880</u>	<u>63,374</u>	<u>2,792,061</u>	<u>2,928,725</u>
LIABILITIES AND FUND EQUITY								
LIABILITIES:								
Accounts payable	38,925	368	-	-	304,043	100	343,436	53,396
Salaries payable	101,422	-	-	-	-	-	101,422	96,024
Retirement	28,203	-	-	-	-	-	28,203	25,470
Payroll taxes	14,289	-	-	-	-	-	14,289	13,860
Employee benefits	15,404	-	-	-	-	-	15,404	13,383
Due to other funds	-	-	-	-	-	-	-	-
Unearned revenue	-	1,255	-	-	-	-	1,255	3,902
Total Liabilities	198,243	1,623	-	-	304,043	100	504,009	206,035
FUND BALANCES:								
Nonspendable	-	5,069	-	-	-	-	5,069	2,526
Restricted	-	71,718	33,061	18,736	1,773,837	-	1,897,352	2,476,023
Assigned	-	-	-	-	-	63,274	63,274	-
Committed	-	-	-	-	-	-	-	-
Unassigned	322,357	-	-	-	-	-	322,357	244,141
Total Fund Balances	<u>322,357</u>	<u>76,787</u>	<u>33,061</u>	<u>18,736</u>	<u>1,773,837</u>	<u>63,274</u>	<u>2,288,052</u>	<u>2,722,690</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 520,600</u>	<u>\$ 78,410</u>	<u>\$ 33,061</u>	<u>\$ 18,736</u>	<u>\$ 2,077,880</u>	<u>\$ 63,374</u>	<u>\$ 2,792,061</u>	<u>\$ 2,928,725</u>

The accompanying notes are an integral part of the financial statements.

ATLANTA COMMUNITY SCHOOLS
GOVERNMENTAL FUNDS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET POSITION
June 30, 2020

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS	\$	2,288,052
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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 are not reported in the funds:

Capital assets at cost		17,153,618
Accumulated depreciation		(7,118,350)

Deferred outflows of resources are not reported in
the governmental funds-

Related to pensions		1,242,683
Related to OPEB		297,306

Long term liabilities not due and payable in the current period
and therefore not reported in the funds -

Bonds payable		(5,670,842)
Premium on bonds payable		(67,737)
Compensated balances		(16,059)
Retirement incentives		(19,500)
Net OPEB liability		(932,165)
Net pension liability		(4,391,753)

Deferred inflows of resources are not reported in
the governmental funds-

Related to pensions		(386,143)
Related to OPEB		(407,084)

Accrued interest payable not included as a liability in
governmental activities

(26,735)

Rounding

1

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$	1,945,292
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ATLANTA COMMUNITY SCHOOLS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
Years Ended June 30, 2020 With Comparative Totals at June 30, 2019

	GENERAL	FOOD SERVICE	2016 DEBT RETIREMENT	2018 DEBT RETIREMENT	2018 CAPITAL PROJECT FUND	NONMAJOR STUDENT ACTIVITY FUND	TOTALS JUNE 30, 2020	2019
REVENUES:								
Local sources								
Property taxes	\$ 1,822,652	\$ -	\$ 283,530	\$ 208,455	\$ -	\$ -	\$ 2,314,637	\$ 2,378,971
Transportation fees	6,474	-	-	-	-	-	6,474	20,839
Earnings on investments	7,396	147	1,165	655	35,194	-	44,557	69,163
Athletics revenue	7,893	-	-	-	-	-	7,893	9,931
Food sales	-	26,404	-	-	-	-	26,404	34,417
Miscellaneous local revenue	40,088	-	-	-	-	36,848	76,936	39,603
State sources	688,336	5,039	4,610	-	-	-	697,985	450,683
Federal sources	181,673	188,156	-	-	-	-	369,829	318,054
Interdistrict and other sources	47,838	-	-	-	-	-	47,838	73,044
Total Revenues	2,802,350	219,746	289,305	209,110	35,194	36,848	3,592,553	3,394,705
EXPENDITURES:								
Current								
Instruction	1,511,518	-	-	-	-	-	1,511,518	1,439,303
Supporting services	1,187,854	-	-	-	-	15,285	1,203,139	1,229,962
Community	355	-	-	-	-	-	355	100
Food service	-	169,880	-	-	-	-	169,880	140,094
Debt service -								
Principal	30,616	-	230,000	120,000	-	-	380,616	420,127
Interest and fees	5,269	-	74,381	83,990	-	-	163,640	156,013
Taxes charged back	-	-	-	-	-	-	-	139
Capital outlay	-	4,065	-	-	635,689	-	639,754	255,255
Total Expenditures	2,735,612	173,945	304,381	203,990	635,689	15,285	4,068,902	3,640,993
OTHER FINANCING SOURCES (USES):								
Operating transfer in	-	-	-	-	-	-	-	44,003
Operating transfer (out)	-	-	-	-	-	-	-	(44,003)
Sale of assets	-	-	-	-	-	-	-	2,944
Indirect cost	11,478	(11,478)	-	-	-	-	-	-
Redemption of school bus loans	-	-	-	-	-	-	-	81,292
Bond proceeds	-	-	-	-	-	-	-	-
Net other financing sources (uses)	11,478	(11,478)	-	-	-	-	-	84,236
NET CHANGE IN FUND BALANCES	78,216	34,323	(15,076)	5,120	(600,495)	21,563	(476,349)	(162,052)
FUND BALANCE - BEGINNING OF YEAR	244,141	42,464	48,137	13,616	2,374,332	-	2,722,690	2,884,742
PRIOR PERIOD ADJUSTMENT GASB 84	-	-	-	-	-	41,711	41,711	-
FUND BALANCE - BEG OF YEAR, AS ADJUSTED	244,141	42,464	48,137	13,616	2,374,332	41,711	2,764,401	2,884,742
FUND BALANCE - END OF YEAR	\$ 322,357	\$ 76,787	\$ 33,061	\$ 18,736	\$ 1,773,837	\$ 63,274	\$ 2,288,052	\$ 2,722,690

The accompanying notes are an integral part of the financial statements.

ATLANTA COMMUNITY SCHOOLS
GOVERNMENTAL FUNDS
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2020

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS	\$ (476,349)
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Amounts reported for governmental activities in the statement of activities are different because -

Governmental funds report capital outlays as expenditures in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	\$ (342,041)	
Capital outlay	<u>642,519</u>	
Net		300,478

Accrued interest recorded in the statement of activities when incurred and reported in governmental funds when paid	1,058
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Amortization of bond premium	6,046
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Repayment of long-term liabilities is an expenditure in the governmental funds but reduces long-term liabilities in Statement of Net Position

Repayment of bonds	350,000	
Repayment of notes	<u>30,616</u>	
		380,616

The changes in net pension liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds.	(265,034)
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The changes in net OPEB liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds.	79,292
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Change in Early Retirement Incentives reported as an expenditure in governmental funds and as a reduction of long-term debt in the statement of activities	13,000
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Increases in compensated absences are reported as expenditures when financial resources are used in the governmental funds in accordance with GASB Interpretation No. 6	(329)
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Rounding	<u>(1)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 38,777</u>
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ATLANTA COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 1. Summary of Significant Accounting Policies

The accounting policies of Atlanta Community Schools conform to United States generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

Reporting Entity

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Government Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School District's reporting entity, and which organizations are legally separate component units of the School District. The School District has no component units.

District-wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the School District's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identified with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

District-wide Statements

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

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

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

ATLANTA COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Fund-based Statements

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within approximately 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The School District reports the following major governmental funds:

General Fund

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

Special Revenue Fund

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The Food Service Fund is a special revenue fund used by the School District to account for the revenues and expenditures of furnishing breakfast and lunch to the pupils in the School District. Any operating deficits generated by this activity are the responsibility of the General Fund.

Debt Retirement Funds

The Debt Retirement Funds are used to account for the accumulation of financial resources for the payment of principal, interest and related costs of the bonds paid primarily by taxes levied on taxpayers residing within the School District. The fund balance of the Debt Retirement Funds are reserved to signify the amounts restricted exclusively for debt service requirements.

Capital Project Funds

Capital Projects funds are used to account for and to record bond proceeds or other revenue and the disbursement of invoices specifically for acquiring new school sites, buildings, equipment, and for remodeling and repairs. The fund is kept open until the purpose for which the fund was created has been accomplished.

ATLANTA COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

The School District additionally reports the following fund types:

Special Revenue Fund

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The Student Activity Fund is a nonmajor special revenue fund used by the School District to account for the revenues and expenditures of fundraising and expenditures of activities for the pupils in the School District. Any operating deficits generated by this activity are the responsibility of the General Fund.

Assets, Liabilities, and Net Position or Equity -

Cash and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds". Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds".

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both district-wide and fund financial statements.

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the School District as assets with an individual cost of more than \$5,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have any infrastructure-type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	3-10 years

Compensated Absences

The liability for compensated absences reported in the district-wide financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees, who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

ATLANTA COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Early Retirement Incentives

The liability for early retirement incentives reported in the district-wide financial statements consists of unpaid, early retirement incentives. The District records a liability when an eligible employee, who has met the minimum requirements, formally informs the district they are electing to take the early retirement incentive.

Long-Term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Pension

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

Postemployment Benefits Other Than Pensions

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

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School District has two items that qualify for reporting in this category. They relate to the School District's net pension plan and OPEB liabilities and are composed from the changes in assumptions, changes in proportion and differences between the School District's contributions and proportionate share of contributions, and the School District's contributions subsequent to the measurement date.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resource*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The School District has only two of these items, which arises from the School District's net pension plan liability and net OPEB liability. It is composed of the School District's share of the net difference between projected and actual earnings on pension plan investments.

ATLANTA COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Net Position/Fund Balance

In the government-wide the funds report the following components of net position:

Unrestricted – Net position that is not subject to externally imposed restrictions.

Net investment in capital assets – Capital assets, accumulated depreciation, and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.

Restricted – Nonexpendable - Net position subject to externally imposed constraints that it be maintained permanently by the School District.

Restricted – Expendable – Net position whose use by the School District is subject to externally imposed constraints that can be fulfilled by actions of the School District pursuant to those constraints or that expire by the passage of time.

Fund balance classifications comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources in governmental funds. Under this standard, the fund balance classifications are comprised of the following:

Non-spendable – amounts that are not in a spendable form such as inventory.

Restricted – amounts constrained to specific purposes by their providers, through constitutional provisions, or by enabling legislation.

Committed – amounts constrained to specific purposes by a government itself.

Assigned – amounts a government intends to use for a specific purpose.

Unassigned – amounts that are available for any purpose, positive amounts are only reported in general fund.

Net Position Flow Assumption

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

ATLANTA COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Fund Balance Flow Assumption

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

Program and General Revenue

Program Revenues

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

Property Taxes

Property taxes are assessed as of December 31 each year and attach as an enforceable lien on property as of the following July 1. School property taxes are levied on July 1 each year, based on the previous year's assessment, by various municipalities whose boundaries include property within the District, and are due by September 14. Delinquent real taxes are advanced to the District by the Counties involved. Taxes are recorded as revenue in the year levied. Taxes receivable are recorded for property taxes collected within 60 days of year-end, if any.

For the year ended June 30, 2020, the School District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
General Fund:	
Non-Principal Resident Exemption (PRE)	18.000
Commercial Personal Property	6.000
2016 Debt Retirement Fund:	
PRE, Non-PRE, Industrial Personal Property	1.700
2018 Debt Retirement Fund:	
PRE, Non-PRE, Industrial Personal Property	1.250

Use of Estimates

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

ATLANTA COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Change in Accounting Principle

Effective July 1, 2019, the District adopted the provisions of GASB Statement No. 84, Fiduciary Activities. As a result, the District has eliminated the statement of fiduciary net position and schedule of due to organizations. The District has identified activities in which they hold the assets and have the ability to direct the use, exchange, or employment of those assets. These activities are now reported in a special revenue fund and included in the financial statement of the District's governmental activities.

Note 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and State law for the General, Debt Service, and Special Revenue Funds. The presentation of the budget information and the basic financial statements is consistent except that capital outlay is presented within the functional categories in the budget and the General Fund budget is presented with the original and amended budget adopted. The budget for athletic activities was adopted separately and the actual results reported, as required by GASB Statement No. 54, as part of the General Fund on the statement of revenue, expenditures, and changes in fund balance. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the School District to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits school districts to amend their budgets during the year. The budget was amended during the year in a legally permissible manner.

Excess of Expenditures over Appropriations in Budgeted Funds - The School District did not have significant expenditure budget variances.

Fund Deficits - The School District had no accumulated fund balance deficits.

Note 3. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS

The School District's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

As of June 30, 2020, the book value of the District's demand deposits, consisting of deposits and their cash equivalents, was \$372,693 with a corresponding bank balance of \$377,303. As of June 30, 2020, \$13,235 of the District's \$377,303 bank balance was exposed to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level be used for the School District's deposits for custodial credit risk.

Custodial Credit Risk of Investments

Custodial risk 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 possession of an outside party. The School District's policy for custodial risk states that custodial credit will be minimized by limiting investments to the types of securities allowed by state law and by prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with which the School District will do business using the criteria established in the investment policy. The School District does not have investments with custodial risk.

ATLANTA COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The School District's investment policy does not restrict investment maturities, other than commercial paper, which can only be purchased with a 270-day maturity. The School District's policy minimizes interest rate risk by requiring the structuring of 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; 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.

Foreign Currency Risk

The School District is not allowed by State statute to invest in foreign investments and accordingly has no foreign investments.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The School District's policy does not further limit its investment choices.

Concentration of Credit Risk

The School District places no limit on the amount the School District may invest in any one issuer. The School District's policy minimizes concentration of credit risk by requiring diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

State statutes and the School District's investment policy authorize the School District to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan; the School District is allowed to invest in U.S. Treasury or Agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The School District's deposits are in accordance with statutory authority.

At year end, the School District's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Total Primary Government</u>
Cash and cash equivalents	\$ 372,693	\$ 372,693

As of June 30, 2020, the District had the following investment:

	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Standard & Poor's Rating</u>
MILAF+MAX Class	\$ 2,292,369	0.1397	AAAm

ATLANTA COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

The District invests certain excess funds in external pooled investment funds which include money market funds. One of the pooled investment funds utilized by the District is the Michigan Liquid Asset Fund Plus (MILAF+). MILAF+ is a local government investment pool of "qualified" investments for Michigan school districts. MILAF+ is not regulated nor is it registered with the SEC. MILAF+ reports as of June 30, 2020, the fair value of the District's investments is the same as the value of the pooled shares. MILAF, as defined by GASB, is recorded at amortized cost which approximates fair value. The MILAF+ portfolio offers three share classes which are: Cash Management Class, MAX Class, and GovMIC Class. The only class that has limitations or restrictions on withdrawal is MAX Class, which requires notification of redemptions prior to 14 days to avoid penalties. The MILAF+ portfolio is not subject to fair value disclosures.

Note 4. Capital Assets

Capital asset activity of the School District's governmental activities was as follows:

	Balance July 1, 2019	Additions	Disposals	Balance June 30, 2020
Capital assets not being depreciated				
Land	\$ 1	\$ -	\$ -	\$ 1
Construction in progress	<u>228,568</u>	<u>632,965</u>	<u>-</u>	<u>861,533</u>
	228,569	632,965	-	861,534
Capital assets being depreciated				
Buildings and improvements	14,088,622	-	-	14,088,622
Buses and other vehicles	433,414	-	-	433,414
Furniture and equipment	<u>1,760,494</u>	<u>9,554</u>	<u>-</u>	<u>1,770,048</u>
Total capital assets	16,511,099	642,519	-	17,153,618
Accumulated depreciation:				
Land improvements	-	-	-	-
Buildings and improvements	4,845,218	275,669	-	5,120,887
Buses and other vehicles	278,021	30,812	-	308,833
Furniture and equipment	<u>1,653,070</u>	<u>35,560</u>	<u>-</u>	<u>1,688,630</u>
Total accumulated depreciation	<u>6,776,309</u>	<u>342,041</u>	<u>-</u>	<u>7,118,350</u>
Net capital assets	<u>\$ 9,734,790</u>	<u>\$ 300,478</u>	<u>\$ -</u>	<u>\$ 10,035,268</u>

Depreciation expense was charged to activities of the School District as follows:

Government Activities:

Unallocated	<u>\$ 342,041</u>
Total Governmental Activities	<u>\$ 342,041</u>

ATLANTA COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Note 5. Interfund Receivables, Payables and Transfers

There were no interfund balances as of June 30, 2020.

The detail for interfund transfers is as follows:

Governmental Funds	Interfund Transfer Out	Interfund Transfer In
Food Service	\$ 11,478	\$ -
General	-	11,478
	<u>\$ 11,478</u>	<u>\$ 11,478</u>

Transfers are used to move unrestricted reimburse the general fund for allowable indirect cost allocations.

Note 6. Long-Term Debt

The School District issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General Obligation Bonds are direct obligations and pledge the full faith and credit of the School District. Other long-term obligations include compensated absences, claims and judgments, termination benefits, and certain risk liabilities.

On August 29, 2016, the District issued 2016 Building and Site Bonds in the amount of \$3,380,000. The bonds are general obligation bonds of the District, and are payable as to principal and interest from the proceeds of an annual ad valorem tax, levied without limitation as to rate of amount, on all taxable property within the boundaries of the School District. The proceeds of this issue were to be used for the construction of major building and site improvements.

On June 28, 2018, the District issued 2018 Building and Site Bonds in the amount of \$2,620,000. The bonds are general obligation bonds of the District, and are payable as to principal and interest from the proceeds of an annual ad valorem tax, levied without limitation as to rate of amount, on all taxable property within the boundaries of the School District. The proceeds of this issue were to be used for the construction of major building and site improvements.

On September 8, 2017, the District entered into an bus loan agreement in the amount of \$80,292. The note is payable in annual installments of \$17,527 including interest at 2.99%. The proceeds of this note was used for the purchase of a new school bus.

ATLANTA COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

On October 31, 2018, the District entered into an bus loan agreement in the amount of \$81,292. The note is payable in annual installments of \$18,358 including interest at 4.19%. The proceeds of this note was used for the purchase of a new school bus.

The Bonds are fully qualified for the Michigan School Bond Qualification and Loan Program pursuant to Act 92, Public Acts of Michigan, 2005, as amended, enacted pursuant to Article IX, Section 16 of the Michigan Constitution of 1963. Under the terms of these constitutional and statutory provisions, if for any reason the District is unable to pay principal of and interest on the Bonds when due, then the District shall borrow and the State of Michigan shall lend to it an amount sufficient to enable the District to make payment.

The following is a summary of the long-term debt transactions of the School District for the year ended June 30, 2020:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2016 Building and site	\$ 3,285,000	\$ -	\$ (230,000)	\$ 3,055,000	\$ 240,000
2018 Building and site	2,620,000	-	(120,000)	2,500,000	115,000
Bus Note - 2018	65,166	-	(15,584)	49,582	16,043
Bus Note - 2019	81,292	-	(15,032)	66,260	15,581
Total bond obligations	6,051,458	-	(380,616)	5,670,842	386,624
Other long-term obligations					
Compensated absences	15,730	329	-	16,059	-
Early retirement incentive	32,500	-	(13,000)	19,500	13,000
Total other long-term obligations	48,230	329	(13,000)	35,559	13,000
Total long-term obligations	<u>\$ 6,099,688</u>	<u>\$ 329</u>	<u>\$ (393,616)</u>	<u>\$ 5,706,401</u>	<u>\$ 399,624</u>

Fiscal year annual debt service requirements for June 30 to maturity for the above governmental fund obligations are as follows:

	Principal	Interest	Total
2021	\$ 386,625	\$ 153,076	\$ 539,701
2022	\$ 402,758	143,693	546,451
2023	\$ 413,931	133,869	547,800
2024	\$ 412,528	123,801	536,329
2025	\$ 410,000	113,867	523,867
Thereafter	3,645,000	507,939	4,152,939
	<u>\$ 5,670,842</u>	<u>\$ 1,176,245</u>	<u>\$ 6,847,087</u>

Early Retirement Incentives

The School District offers an early retirement incentive to certain teachers based on years of service and current wage scale. Once a teacher meets the minimum requirements for the ERI benefit they may elect a 1 to 3 year payout. The amount of early retirement liability for the years ended June 30, 2020 and 2019 was \$19,500 and \$32,500, respectively.

ATLANTA COMMUNITY SCHOOLS
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Compensated Absences

The School District accrues a liability for compensated absences which meet the following criteria:

- (1) The School District's obligation relating to employees' rights to receive compensation for future
- (2) The obligation relates to rights that vest or accumulate.
- (3) Payment of the compensation is probable.
- (4) The amount can be reasonably estimated.

Union personnel, after ten years of employment with the district, are eligible to be reimbursed for accumulated sick days, up to a maximum of 180 days of which \$20 per day is payable, upon retirement. Non-union personnel, after ten years of employment with the district, are eligible to be reimbursed for accumulated sick days, up to a maximum of 180 days with the rate of pay per day varying depending on their contract. As of June 30, 2020, the amount which would be due upon retirement for eligible staff is \$16,059.

Note 7. Risk Management

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for medical claims and participates in the SET-SEG risk pool for claims relating to workers' compensation, general liability, and property/casualty claims. Settled claims relating to the commercial insurance did not exceed the amount of coverage in any of the past three fiscal years.

Note 8. Tax Abatements

There were no significant tax abatements made to the District for the fiscal year ended June 30, 2020.

Note 9. Retirement Plan

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

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

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

ATLANTA COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
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Benefits Provided

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

A DB plan member who leaves Michigan public school employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2018 valuation will be amortized over a 20-year period beginning October 1, 2018 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year 2019.

<u>Benefit Structure</u>	<u>Member</u>	Pension Contribution Rates	
		<u>Employer</u>	
		Universities	Non-Universities
Basic	0.0 - 4.0%	25.03%	18.25%
Member Investment Plan	3.0 - 7.0%	25.03%	18.25%
Pension Plus	3.0 - 6.4%	N/A	16.46%
Pension Plus 2	6.2%	N/A	19.59%
Defined Contribution	0.00%	19.74%	13.39%

Required contributions to the pension plan from Atlanta Community Schools were \$352,296 for the year ended September 30, 2019.

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

At June 30, 2020, the District reported a liability of \$4,391,753 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2018. 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, 2019, the District's proportion was .01326147 percent, which was a decrease of .00034149 percent from its proportion measured as of September 30, 2018.

ATLANTA COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

For the year ended June 30, 2020, the District recognized pension expense of \$635,795. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 19,685	\$ 18,313
Changes of Assumptions	859,908	-
Net difference between projected and actual earnings on pension plan investments	-	140,748
Changes in proportion and differences between Employer contributions and proportionate share of contributions	22,153	83,230
Employer contributions subsequent to the measurement date	340,937	143,852
Total	<u>\$ 1,242,683</u>	<u>\$ 386,143</u>

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, 2021. 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
2020	\$ 262,637
2021	214,495
2022	132,682
2023	49,641

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.

ATLANTA COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2018
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP and Basic Plans:	6.80%
- Pension Plus Plan:	6.80%
- Pension Plus 2 Plan:	6.00%
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
	Active Members: P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Notes:

Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2019, is based on the results of an actuarial valuation date of September 30, 2018, 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: [4.4977 for non-university employers or 1.0000 for university employers]

Recognition period for assets in years is 5.0000

Full actuarial assumptions are available in the 2019 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

ATLANTA COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
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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, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate
Domestic Equity Pools	28.0%	5.5%
Private Equity Pools	18.0	8.6
International Equity Pools	16.0	7.3
Fixed Income Pools	10.5	1.2
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.4
Short-Term Investment Pools	2.0	0.8
TOTAL	100.0%	

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

Rate of Return

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

Discount Rate

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

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

The following presents Atlanta Community School's proportionate share of the net pension liability calculated using the discount rate of 6.80% (6.80% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan), as well as what Atlanta Community School'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	Current Single Discount Rate Assumption	1% Increase
5.80% / 5.80% / 5.00%	6.80% / 6.80% / 6.00%	7.80% / 7.80% / 7.00%
\$ 5,709,560	\$ 4,391,753	\$ 3,299,246

ATLANTA COMMUNITY SCHOOLS
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* Discount rates listed in the following order: Basic and Member Investment Plan (MIP), Pension Plus, and Pension Plus 2. Non-university employers provide Basic, MIP, Pension Plus, and Pension Plus 2 plans. University employers provide only the Basic and MIP plans.

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

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

Payables to the Michigan Public School Employees' Retirement System (MPERS)

The District accrued liabilities to the System in the amount of \$44,833 associated with salary and wages recorded as liabilities at year end.

Note 10. Postemployment Benefits Other Than Pensions (OPEB)

Plan Description

The Michigan Public School Employees' Retirement System (System or MPERS) is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan governed by the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members— eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

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

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

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

Benefits Provided

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

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

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

Contributions

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2018 valuation will be amortized over a 20-year period beginning October 1, 2018 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year September 30, 2019.

OPEB Contribution Rates			
Benefit Structure	Member	Employer	
		Universities	Non-Universities
Premium Subsidy	3.00%	6.42%	7.93%
Personal Healthcare	0.00%	5.99%	7.57%

Required contributions to the OPEB plan from the District were \$89,169 for the year ended September 30, 2019.

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

At June 30, 2020, the District reported a liability of \$932,165 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2018. Atlanta Community School's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2019, District's proportion was 0.01298687 percent, which is an increase of .000699 percent from its proportion measured as of October 1, 2018.

ATLANTA COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

For the year ending June 30, 2020, Atlanta Community Schools' recognized OPEB expense of \$16,328. At June 30, 2020, Atlanta Community Schools reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between actual and expected experience	\$ -	\$ 342,038
Changes of Assumptions	201,981	-
Net difference between projected and actual earnings on OPEB plan investments	-	16,211
Changes in proportion and differences between Employer contributions and proportionate share of contributions	10,203	48,835
Employer contributions subsequent to the measurement date	<u>85,122</u>	<u>-</u>
Total	<u>\$ 297,306</u>	<u>\$ 407,084</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Deferred (Inflow) and Deferred Outflow of Resources by Year
(To Be Recognized in Future OPEB Expenses)

Year Ending September 30	Amount
2020	\$ (50,911)
2021	(50,911)
2022	(42,860)
2023	(31,430)
2024	(18,788)

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.

ATLANTA COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2018
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.95%
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	7.5% Year 1 graded to 3.5% Year 12
Mortality:	Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
	Active Members: RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Other Assumptions:

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

Notes: Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2019, is based on the results of an actuarial valuation date of September 30, 2018, 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: [5.7101 for non-university employers or 1.1641 for university employers]

Recognition period for assets in years is 5.0000

Full actuarial assumptions are available in the 2019 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

ATLANTA COMMUNITY SCHOOLS
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Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2019, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate
Domestic Equity Pools	28.0%	5.5%
Private Equity Pools	18.0	8.6
International Equity Pools	16.0	7.3
Fixed Income Pools	10.5	1.2
Real Estate and Infrastructure Pools	10.0	4.2
Absolute Return Pools	15.5	5.4
Short-Term Investment Pools	2.0	0.8
TOTAL	100.0%	

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

Rate of Return

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

Discount Rate

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

Sensitivity of Atlanta Community Schools' proportionate share of the net OPEB liability to changes in the discount rate

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

1% Decrease	Current Discount Rate	1% Increase
5.95%	6.95%	7.95%
\$ 1,143,440	\$ 932,165	\$ 754,752

ATLANTA COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
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Sensitivity of Atlanta Community Schools' proportionate share of the net OPEB liability to Healthcare Cost Trend Rate

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ 747,231	\$ 932,165	\$ 1,143,415

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2019 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

Payables to the OPEB Plan

The District accrued liabilities to the System in the amount of \$8,720 associated with salary and wages recorded as liabilities at year end.

Note 11. Upcoming Accounting Pronouncements

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

ATLANTA COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
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Note 12. Prior Period Adjustment

The adoption of GASB 84 has required the District to recognize assets for activities in which the District has control over, resulting in making a prior period adjustment. The prior period adjustment of \$41,711 is the District's beginning assets of student activities for fiscal year ended June 30, 2019. The adjustment applies to the fund financial statements as well as the government wide financial statements, restating the beginning fund balance of governmental funds to \$2,764,401 and net position of government wide financial statements to \$1,906,515 as of July 1, 2019.

Note 13. Subsequent Events

Management has evaluated subsequent events and transactions for potential recognition and disclosure through October 1, 2020, the date the financial statements were available to be issued.

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. In addition, on March 23, 2020, Governor Gretchen Whitmer issued a statewide stay-at-home order. Which ordered the closure of the physical locations of every non-life sustaining, non-essential business. The order was in effect through May 15, 2020 before restrictions were eased. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the District's financial condition, liquidity and future results of operations. The District's management is anticipating a temporary reduction in revenues from the State but expects levels to rebound as the effects of the pandemic stabilize. Beyond that, management is actively monitoring the situation on its financial condition, liquidity, operations, suppliers, industry and workforce. Given the daily evolution of the COVID-19 outbreak and the responses to curb its spread, the District is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition or liquidity for fiscal year 2020/21. Although the District cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material adverse effect on the District's results of future operations, financial position and liquidity in fiscal year 2020/21.

Required Supplemental Information

ATLANTA COMMUNITY SCHOOLS
BUDGET COMPARISON SCHEDULE - GENERAL FUND
Year Ended June 30, 2020

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES:				
Local sources	\$ 1,929,162	\$ 1,883,272	\$ 1,884,503	\$ 1,231
State sources	435,527	550,074	688,336	138,262
Federal sources	171,066	188,731	181,673	(7,058)
Interdistrict and other sources	55,500	47,838	47,838	-
Total Revenues	2,591,255	2,669,915	2,802,350	132,435
EXPENDITURES:				
Instruction-				
Elementary	408,429	459,601	458,302	(1,299)
High school	658,976	695,718	691,702	(4,016)
Special education	132,687	155,810	155,291	(519)
Compensatory education	252,670	213,718	206,223	(7,495)
Supporting services -				
Pupil	18,800	90,724	90,054	(670)
Instructional staff	32,402	46,819	42,894	(3,925)
General administration	129,800	132,499	124,719	(7,780)
School administration	150,475	148,896	145,867	(3,029)
Business services	184,263	177,249	172,825	(4,424)
Operation & maintenance	342,541	320,251	299,759	(20,492)
Transportation	187,930	175,870	159,900	(15,970)
Support services - Central	74,500	86,490	85,121	(1,369)
Support services - Other	76,236	68,341	66,715	(1,626)
				-
Community services -				
Community activities	100	716	355	(361)
Total Expenditures	2,649,809	2,772,702	2,699,727	(72,975)
OTHER FINANCING SOURCES (USES)				
Operating transfers out	-	-	-	-
Sale of assets	-	-	-	-
Indirect costs recovery	-	-	-	-
Indirect costs	11,295	15,000	11,478	(3,522)
Redemption of school bus loans	-	-	-	-
Principal Payments	(30,531)	(30,616)	(30,616)	-
Interest on school bus loans	(5,355)	(5,270)	(5,269)	1
Net other financing sources (uses)	(24,591)	(20,886)	(24,407)	(3,521)
NET CHANGE IN FUND BALANCE	(83,145)	(123,673)	78,216	201,889
FUND BALANCE - BEGINNING OF YEAR	140,204	244,141	244,141	-
FUND BALANCE - END OF YEAR	\$ 57,059	\$ 120,468	\$ 322,357	201,889

ATLANTA COMMUNITY SCHOOLS
BUDGET COMPARISON SCHEDULE - FOOD SERVICE FUND
Year Ended June 30, 2020

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget
REVENUES:				
Local sources	\$ 31,620	\$ 25,832	\$ 26,551	\$ 719
State sources	10,635	5,039	5,039	-
Federal sources	110,687	193,577	188,156	(5,421)
Total Revenues	152,942	224,448	219,746	(4,702)
EXPENDITURES:				
Supporting services -				
Food service	149,235	187,568	173,945	13,623
OTHER FINANCING SOURCES (USES):				
Indirect costs	(11,295)	(15,000)	(11,478)	3,522
Operating transfer In	-	-	-	
Net other financing sources (uses)	(11,295)	(15,000)	(11,478)	3,522
NET CHANGE IN FUND BALANCE	(7,588)	21,880	34,323	12,443
FUND BALANCE - BEGINNING OF YEAR	11,450	42,464	42,464	-
FUND BALANCE - END OF YEAR	\$ 3,862	\$ 64,344	\$ 76,787	\$ 12,443

ATLANTA COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2020

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)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
A. District's proportion of net pension liability (%)					0.01326%	0.01360%	0.01347%	0.01350%	0.01378%	0.01411%
B. District's proportionate share of net pension liability					\$ 4,391,753	\$ 4,089,295	\$ 3,482,663	\$ 3,367,646	\$ 3,377,709	\$ 3,108,312
C. District's covered-employee payroll					\$ 1,141,501	\$ 1,167,742	\$ 1,137,201	\$ 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					384.73%	350.19%	306.25%	296.50%	265.10%	256.21%
E. Plan fiduciary net position as a percentage of total pension liability					60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

*The employer's covered payroll is defined by GASB 82, Pension Issues—an amendment to GASB Statements No. 67, No. 68, and No. 73, as payroll on which contributions to a pension plan are based; and by GASB 85, Omnibus 2017, as payroll on which contributions to the OPEB plan are based. For university employers, covered payroll for both pension and OPEB is the greater of 1) university payroll on which contributions to the plan are based or 2) the required minimum payroll amount required by PA 136 of 2016. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

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 fiscal year ending June 30, 2015.

ATLANTA COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2020

Schedule of the District's Contributions
Michigan Public School Employees Retirement Plan
Last 10 Reporting Unit Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
A. Statutorily required contributions					\$ 364,087	\$ 353,029	\$ 392,772	\$ 303,105	\$ 265,908	\$ 247,150
B. Contributions in relation to statutorily required contributions*					\$ 364,087	\$ 353,029	\$ 392,772	\$ 316,904	\$ 265,908	\$ 247,150
C. Contribution deficiency (excess)					\$ -	\$ -	\$ -	\$ (13,799)	\$ -	\$ -
D. District's covered-employee payroll**					\$ 1,189,850	\$ 1,173,925	\$ 1,117,152	\$ 1,171,200	\$ 1,170,608	\$ 1,114,363
E. Contributions as a percentage of covered-employee payroll					30.60%	30.07%	35.16%	27.06%	22.72%	22.18%

*Contributions in relation to statutorily required pension contributions are the contributions an employer actually made to the System, as distinct from the statutorily required contributions.

**The employer's covered payroll is defined by GASB 82, Pension Issues—an amendment to GASB Statements No. 67, No. 68, and No. 73, as payroll on which contributions to a pension plan are based; and by GASB 85, Omnibus 2017, as payroll on which contributions to the OPEB plan are based. For university employers, covered payroll for both pension and OPEB is the greater of 1) university payroll on which contributions to the plan are based or 2) the required minimum payroll amount required by PA 136 of 2016. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

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 fiscal year ending June 30, 2015.

ATLANTA COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2020

Schedule of the District's Proportionate Share of the Net OPEB Liability
Michigan Public School Employees Retirement Plan
Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
A. Employer's proportion of net OPEB liability (%)								0.01299%	0.01369%	0.01347%
B. Employer's proportionate share of net OPEB liability								\$ 932,165	\$ 1,084,126	\$ 1,192,749
C. Employer's covered payroll (OPEB)*								\$ 1,141,501	\$ 1,167,742	\$ 1,137,201
D. Employer's proportionate share of net OPEB liability as a percentage of its covered payroll (%)								81.66%	92.84%	104.88%
E. Plan fiduciary net position as a percentage of total OPEB liability								48.46%	42.95%	36.39%

*The employer's covered payroll is defined by GASB 82, Pension Issues—an amendment to GASB Statements No. 67, No. 68, and No. 73, as payroll on which contributions to a pension plan are based; and by GASB 85, Omnibus 2017, as payroll on which contributions to the OPEB plan are based. For university employers, covered payroll for both pension and OPEB is the greater of 1) university payroll on which contributions to the plan are based or 2) the required minimum payroll amount required by PA 136 of 2016. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

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.

ATLANTA COMMUNITY SCHOOLS
REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2020

Schedule of the District's Contributions
Michigan Public School Employees Retirement Plan
Last 10 Reporting Unit Fiscal Years (Amounts were determined as of 6/30 of each fiscal year)

	2027	2026	2025	2024	2023	2022	2021	2020	2019	2018
A. Statutorily required OPEB contributions								\$ 95,243	\$ 84,453	\$ 56,658
B. OPEB contributions in relation to statutorily required contributions*								95,243	84,453	56,658
C. Contribution deficiency (excess)								\$ -	\$ -	\$ -
D. Employer's covered payroll (OPEB)**								\$ 1,189,850	\$ 1,173,925	\$ 1,117,152
E. OPEB contributions as a percentage of covered payroll								8.00%	7.19%	5.07%

*Contributions in relation to statutorily required OPEB contributions are the contributions an employer actually made to the OPEB Plan, as distinct from the statutorily required contributions.

**The employer's covered payroll is defined by GASB 82, Pension Issues—an amendment to GASB Statements No. 67, No. 68, and No. 73, as payroll on which contributions to a pension plan are based; and by GASB 85, Omnibus 2017, as payroll on which contributions to the OPEB plan are based. For university employers, covered payroll for both pension and OPEB is the greater of 1) university payroll on which contributions to the plan are based or 2) the required minimum payroll amount required by PA 136 of 2016. For non-university employers, covered payroll for both pension and OPEB represents payroll on which contributions to both plans are based.

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.

ATLANTA COMMUNITY SCHOOLS
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
June 30, 2020

Changes of Benefit Terms

There were no changes of benefit terms in fiscal year ended September 30, 2019.

Changes of Assumptions

There were no changes of benefit assumptions in fiscal year ended September 30, 2019.

Other Supplemental Information

ATLANTA COMMUNITY SCHOOLS
 DETAIL OF 2016 BUILDING AND SITE BOND
 June 30, 2020

Purpose of issue -

2016 Building & Site Bonds

Amount of issue: \$ 3,380,000

Interest rate - 2.00% - 3.00%

Date of issue - October 18, 2016

Date	May, 1		November, 1	
	Principal	Interest	Interest	Total
2020	\$ -	\$ -	\$ 34,475	\$ 34,475
2021	240,000	34,475	32,075	306,550
2022	245,000	32,075	29,625	306,700
2023	255,000	29,625	27,075	311,700
2024	265,000	27,075	24,425	316,500
2025	270,000	24,425	21,725	316,150
2026	275,000	21,725	18,975	315,700
2027	280,000	18,975	16,175	315,150
2028	290,000	16,175	13,275	319,450
2029	300,000	13,275	9,525	322,800
2030	315,000	9,525	4,800	329,325
2031	320,000	4,800	-	324,800
	<u>\$ 3,055,000</u>	<u>\$ 232,150</u>	<u>\$ 232,150</u>	<u>\$ 3,519,300</u>

ATLANTA COMMUNITY SCHOOLS
 DETAIL OF 2018 BUILDING SITE BOND
 June 30, 2020

Purpose of issue -
 2018 Building & Site Bonds
 Amount of issue: \$ 2,620,000
 Interest rate - 2.00% - 3.00%
 Date of issue - June 28, 2018

Date	May, 1		November, 1	
	Principal	Interest	Interest	Total
2020	\$ -	\$ -	\$ 39,934	\$ 39,934
2021	115,000	39,933	38,209	193,142
2022	125,000	38,208	36,334	199,542
2023	125,000	36,333	34,459	195,792
2024	130,000	34,458	32,509	196,967
2025	140,000	32,508	30,409	202,917
2026	150,000	30,408	28,159	208,567
2027	160,000	28,158	25,759	213,917
2028	160,000	25,758	23,279	209,037
2029	160,000	23,278	20,719	203,997
2030	160,000	20,718	18,079	198,797
2031	170,000	18,078	15,274	203,352
2032	445,000	15,273	7,820	468,093
2033	460,000	7,820	-	467,820
	<u>\$ 2,500,000</u>	<u>\$ 350,931</u>	<u>\$ 350,943</u>	<u>\$ 3,201,874</u>

ATLANTA COMMUNITY SCHOOLS
DETAIL OF 2018 BUS NOTE
June 30, 2020

Purpose of issue -

2018 Bus Note

Amount of issue: \$ 80,292

Interest rate - 2.99%

Date of issue - September 8, 2017

Date	September 8,		Total
	Principal	Interest	
2020	\$ 16,043	\$ 1,483	\$ 17,526
2021	16,523	1,003	17,526
2022	17,016	509	17,525
	<u>\$ 49,582</u>	<u>\$ 2,995</u>	<u>\$ 52,577</u>

ATLANTA COMMUNITY SCHOOLS
DETAIL OF 2019 BUS NOTE
June 30, 2019

Purpose of issue -

2019 Bus Note

Amount of issue: \$ 81,292

Interest rate - 4.19%

Date of issue - October 31, 2018

Date	October 31,		Total
	Principal	Interest	
2020	\$ 15,582	\$ 2,776	\$ 18,358
2021	16,235	2,123	18,358
2022	16,915	1,443	18,358
2023	17,528	734	18,262
	<u>\$ 66,260</u>	<u>\$ 7,076</u>	<u>\$ 73,336</u>



CERTIFIED PUBLIC ACCOUNTANTS

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Timothy J. Quast, C.P.A.
David G. Gwizdala, C.P.A.

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American Institute of C.P.A.'s
Michigan Association of C.P.A.'s

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

To The Board of Education
Atlanta Community Schools

Ladies and Gentlemen:

We have audited, in accordance with auditing standards general 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 government activities, each major fund, and the aggregate remaining fund information of the Atlanta Community Schools, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Atlanta Community Schools' basic financial statements, and have issued our report thereon dated October 1, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 Atlanta Community Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of Atlanta Community Schools' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

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.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2020-001.

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 Atlanta Community Schools' internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,

QUAST, JANKE AND COMPANY



Certified Public Accountants, P.C
Bay City, Michigan 48708
October 1, 2020

ATLANTA COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2020

Non-Compliance

FINDING 2020-001: Noncompliance with USDA Net Cash Resources

- Condition:** At June 30, 2020 year end, the ending fund balance in the Food Service fund exceeded three-months average expenditures.
- Criteria:** Per 7 CFR § 210.14(b) of federal regulations a school district must limit the net cash resources not to exceed three months' average expenditures. The district may not build up a fund reserve exceeding this three months' reserve.
- Cause:** In response to the COVID-19 pandemic and statewide school closures, the district saw a significant increase in meals served during the last three months of the fiscal year. The increase in revenues generated exceed the costs incurred during this short period. The district was not able to spend enough of the funds on allowable costs during this short period.
- Effect:** Noncompliance with U.S. Department of Agriculture regulations could result in a decrease in funding. Noncompliance with net cash resources requires a formal Excess Fund Balance Plan of Action Form be submitted to Michigan Department of Education per 7 CFR § 210.19(a)(1).
- Recommendation:** We recommend that the District submit a form Excess Fund Balance Plan of Action Form to MDE within 15 days of receiving MDE's initial notification.
- District's Response:** The district has already compiled a Excess Fund Balance Plan of Action and has received an initial review from MDE that the cost submitted are allowable costs for Food Service. However, the District will have to wait until approximately January 2021 to formally submit the plan and will have until June 30, 2021 to fully execute the plan and eliminate the excess fund balance.