



**ATLANTA COMMUNITY SCHOOLS
FINANCIAL REPORT
WITH SUPPLEMENTAL INFORMATION
June 30, 2021**

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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, 2021, 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, 2021, 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, 2020. 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

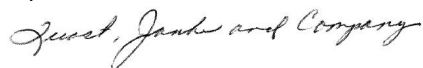
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Atlanta Community Schools' basic financial statements. The fiduciary fund schedule and the schedules of indebtedness are presented for purposes of additional analysis and are not a required 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 September 30, 2021 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

September 30, 2021

ATLANTA COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

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, 2021. 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 Student Activities 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, 2021

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.

**ATLANTA COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021**

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.

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.

**ATLANTA COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021**

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, 2021 and 2020:

Table 1

	Governmental Activities	
	June 30, 2021	June 30, 2020
Assets:		
Current and other assets	\$ 1,111,519	\$ 2,792,061
Capital assets - net of accumulated depreciation	11,474,324	10,035,268
 Total Assets	 12,585,843	 12,827,329
 Deferred outflows of resources	 1,352,374	 1,539,989
Liabilities:		
Current liabilities	642,705	930,368
Long-term liabilities	10,242,408	10,698,431
 Total liabilities	 10,885,113	 11,628,799
 Deferred inflows of resources	 810,497	 793,227
Net Position:		
Net investment in capital assets	6,191,401	4,364,426
Restricted - Debt service	56,121	51,797
Restricted - Food service	74,691	76,787
Restricted - Capital projects	120,980	1,773,837
Unrestricted	(4,200,586)	(4,321,555)
 Net Position	 \$ 2,242,607	 \$ 1,945,292

The above analysis focuses on the net position (see Table 1). The School District's net position was \$2,422,607 at June 30, 2021. Net investment in capital assets totaling \$6,191,401 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.

**ATLANTA COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021**

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 2021 and 2020.

Table 2

	Governmental Activities	
	Year Ended June 30,	
	2021	2020
Revenue:		
Program revenue:		
Charges for services	\$ 8,113	\$ 40,771
Grants and categorical	1,308,174	973,595
General revenue:		
Property taxes	2,302,810	2,314,637
State PILT	4,698	-
State unrestricted	171,147	174,295
Investment earnings	3,646	44,557
Other	44,839	44,697
Total Revenue	3,843,427	3,592,552
Function/Program Expenses:		
Instruction	1,560,670	1,617,721
Support services	1,287,471	1,263,527
Community services	3,414	355
Food services	204,809	173,595
Interest on long-term debt	144,815	156,536
Depreciation (unallocated)	344,933	342,041
Total Expenses	3,546,112	3,553,775
Increase (Decrease) in Net Position	\$ 297,315	\$ 38,777

As reported in the statement of activities, the cost of all of our governmental activities this year was \$3,546,109. 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 \$1,303,505. We paid for the remaining "public benefit" portion of our governmental activities with \$2,302,810 in taxes, \$171,146 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 \$297,315. A key reason for the change in net position was increase in grant 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.

ATLANTA COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

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 \$896,920, which is a decrease of \$1,391,132 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 \$264,696 to end the year at \$587,053. This can be attributed to an increase in federal and state source revenues.

The Food Service Fund Balance decreased by \$10,151, this is due to an increase in spending on capital outlays in order to reduce fund balance to bring it within federal and state requirements. 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, 2021**

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 \$649,159. This was due to an increase in State Aid Categoricals that were expected to decrease at the time of original budget and unexpectedly increased during the school year. Additionally, federal sources increased during the school year as COVID-19 related funding was passed by Congress and the amounts available to the district became clearer during the school year.

Budgeted expenditures increased from the original budget by \$428,377. This was due to an increase in state and federal revenue sources were known allowing the district to ease up on cost cutting measures that were expected to be necessary to address COVID-19 closures and shut-downs.

Actual revenues were \$191,517 less than the final budget. This difference is mainly due to budgeting for federal grant revenues that the district was not able to incur the required expenditures by year end.

Actual expenditures were \$342,215 less than the final budget. This was due to a concerted effort to stay under budget and due to timing not being able to incur allowable federal expenditures related to federal grants.

**ATLANTA COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021**

Capital Assets

At June 30, 2021, the School District had \$18,906,475 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 \$1,752,857.

	2021	2020
Land	\$ 1	\$ 1
Construction in progress	2,532,477	861,533
Buildings and improvements	14,089,822	14,088,622
Buses and other vehicles	465,414	433,414
Equipment	1,818,761	1,770,048
Total Capital Assets	18,906,475	17,153,618
Less Accumulated Depreciation	7,432,151	7,118,350
Net Capital Assets	\$ 11,474,324	\$ 10,035,268

This year's additions of \$1,784,805 consisted of the following:

Various equipment	\$ 62,661
Buses	50,000
Building improvements	1,672,144
	<u>\$ 1,784,805</u>

Debt

At the end of this year, the School District had \$5,282,923 in long-term debt outstanding versus \$5,670,842 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 \$5,200,000 is significantly below the statutorily imposed limit.

**ATLANTA COMMUNITY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021**

Economic Factors and Next Year's Budgets and Rates

Our elected officials and administration consider many factors when setting the School District's 2022 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 2022 fiscal year is 90 percent and 10 percent of the October 2021 and February 2021 student counts, respectively. The 2022 fiscal year budget was adopted in June 2021, based on an estimate of students that will be enrolled in October of 2021. 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 2021-2022 school year, we anticipate that the fall student count will be slightly less than the estimates used in creating the 2022 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 \$589 per pupil decrease in the foundation allowance for the fiscal year 2022.

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, 2021 and 2020

	2021	2020
ASSETS:		
Cash & equivalents	\$ 490,076	\$ 372,693
Accounts receivable	47,336	36,028
Taxes receivable	-	-
Due from other governmental units	258,381	84,578
Prepaid items	3,315	1,324
Investments	304,290	2,292,369
Inventories	8,121	5,069
Capital assets	18,906,475	17,153,618
Accumulated depreciation	(7,432,151)	(7,118,350)
Total Assets	12,585,843	12,827,329
DEFERRED OUTFLOWS OF RESOURCES:		
Related to pensions	986,510	1,242,683
Related to OPEB	365,864	297,306
Total Deferred Outflows of Resources	1,352,374	1,539,989
LIABILITIES:		
Accounts payable	50,557	343,436
Accrued payroll and other liabilities	159,372	160,573
Accrued interest	24,812	26,735
Compensated absences	14,446	22,559
Net OPEB liability	718,364	932,165
Net pension liability	4,566,448	4,391,753
Current portion of long term liabilities	407,964	399,624
Premium on bonds payable	61,691	67,737
Non current portion of long term liabilities	4,881,459	5,284,217
Total Liabilities	10,885,113	11,628,799
DEFERRED INFLOWS OF RESOURCES:		
Related to pensions	236,790	386,143
Related to OPEB	573,707	407,084
Total Deferred Inflows of Resources	810,497	793,227
NET POSITION:		
Investment in capital assets - net of related debt	6,191,401	4,364,426
Restricted for debt service	56,121	51,797
Restricted for food service	74,691	76,787
Restricted for capital projects	120,980	1,773,837
Unrestricted (deficit)	(4,200,586)	(4,321,555)
Total Net Position (deficit)	\$ 2,242,607	\$ 1,945,292

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

ATLANTA COMMUNITY SCHOOLS
STATEMENT OF ACTIVITIES
Year Ended June 30, 2021 With Comparative Totals for 2020

	Expenses	Program Revenues		Governmental Activities		
		Charges for Services	Operating Grants/Contributions	Capital Grants/Contributions	Net (Expenses) Revenues And Changes in Net Position 2021	2020
GOVERNMENTAL ACTIVITIES:						
Instruction	\$ 1,560,670	\$ -	\$ 607,600	\$ -	\$ (953,070)	\$ (1,096,916)
Supporting services	1,287,471	4,849	400,709	88,359	(793,554)	(989,920)
Community services	3,414	-	3,415	-	1	-
Food services	204,809	3,264	208,091	-	6,546	46,004
Interest on long term debt	144,815	-	-	-	(144,815)	(156,536)
Depreciation (unallocated)	344,933	-	-	-	(344,933)	(342,041)
Total Governmental Activities	<u>\$ 3,546,112</u>	<u>\$ 8,113</u>	<u>\$ 1,219,815</u>	<u>\$ 88,359</u>	(2,229,825)	(2,539,409)
GENERAL PURPOSE REVENUES:						
Property taxes, levied for operating purposes					1,797,719	1,822,652
Property taxes, levied for debt retirement					505,091	491,985
State school aid - unrestricted					171,147	174,295
State PILT					4,698	-
Investment earnings					3,646	44,557
Other					44,839	44,697
Total General Purpose Revenues					<u>2,527,140</u>	<u>2,578,186</u>
Change in net position					297,315	38,777
Net Position (deficit) - Beginning of Year					1,945,292	1,906,515
Net Position (deficit) - End of Year					<u>\$ 2,242,607</u>	<u>\$ 1,945,292</u>

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

ATLANTA COMMUNITY SCHOOLS
GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 2021 With Comparative Totals at June 30, 2020

ASSETS	GENERAL	FOOD SERVICE	2016	2018	2018 CAPITAL	NONMAJOR	TOTALS JUNE 30,	
			DEBT RETIREMENT	DEBT RETIREMENT	PROJECT FUND	STUDENT ACTIVITY FUND	2021	2020
Cash	\$ 272,433	\$ 53,379	\$ 36,173	\$ 19,948	\$ 41,970	\$ 66,173	\$ 490,076	\$ 372,693
Taxes receivable	-	-	-	-	-	-	-	-
Accounts receivable	47,336	-	-	-	-	-	47,336	36,028
Grants receivable	136,978	-	-	-	-	-	136,978	12,039
Due from State of Michigan	114,299	7,104	-	-	-	-	121,403	72,539
Due from other funds	-	8,056	-	-	-	-	8,056	-
Prepaid items	3,315	-	-	-	-	-	3,315	1,324
Investments	222,521	-	-	-	81,769	-	304,290	2,292,369
Inventory	-	8,121	-	-	-	-	8,121	5,069
	<u>796,882</u>	<u>76,660</u>	<u>36,173</u>	<u>19,948</u>	<u>123,739</u>	<u>66,173</u>	<u>1,119,575</u>	<u>2,792,061</u>
LIABILITIES AND FUND EQUITY								
LIABILITIES:								
Accounts payable	47,285	471	-	-	2,759	42	50,557	343,436
Salaries payable	98,641	-	-	-	-	-	98,641	101,422
Retirement	28,301	-	-	-	-	-	28,301	28,203
Payroll taxes	7,185	-	-	-	-	-	7,185	14,289
Employee benefits	15,280	-	-	-	-	-	15,280	15,404
Due to other funds	8,056	-	-	-	-	-	8,056	-
Unearned revenue	8,467	1,498	-	-	-	-	9,965	1,255
Total Liabilities	213,215	1,969	-	-	2,759	42	217,985	504,009
FUND BALANCES:								
Nonspendable	-	8,121	-	-	-	-	8,121	5,069
Restricted	-	66,570	36,173	19,948	120,980	-	243,671	1,897,352
Assigned	-	-	-	-	-	66,131	66,131	63,274
Committed	-	-	-	-	-	-	-	-
Unassigned	583,667	-	-	-	-	-	583,667	322,357
Total Fund Balances	583,667	74,691	36,173	19,948	120,980	66,131	901,590	2,288,052
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 796,882</u>	<u>\$ 76,660</u>	<u>\$ 36,173</u>	<u>\$ 19,948</u>	<u>\$ 123,739</u>	<u>\$ 66,173</u>	<u>\$ 1,119,575</u>	<u>\$ 2,792,061</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, 2021

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 901,590

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	18,906,475
Accumulated depreciation	(7,432,151)

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

Related to pensions	986,510
Related to OPEB	365,864

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

Bonds payable	(5,282,923)
Premium on bonds payable	(61,691)
Compensated balances	(14,446)
Retirement incentives	(6,500)
Net OPEB liability	(718,364)
Net pension liability	(4,566,448)

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

Related to pensions	(236,790)
Related to OPEB	(573,707)

Accrued interest payable not included as a liability in governmental activities

(24,812)

Rounding

-

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$ 2,242,607
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ATLANTA COMMUNITY SCHOOLS
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
Years Ended June 30, 2021 With Comparative Totals at June 30, 2020

	GENERAL	FOOD SERVICE	2016 DEBT RETIREMENT	2018 DEBT RETIREMENT	2018 CAPITAL PROJECT FUND	NONMAJOR STUDENT ACTIVITY FUND	TOTALS JUNE 30,	
							2021	2020
REVENUES:								
Local sources								
Property taxes	\$ 1,797,719	\$ -	\$ 308,183	\$ 196,908	\$ -	\$ -	\$ 2,302,810	\$ 2,314,637
Transportation fees	1,500	-	-	-	-	-	1,500	6,474
Earnings on investments	1,391	126	564	313	1,252	-	3,646	44,557
Athletics revenue	3,349	-	-	-	-	-	3,349	7,893
Food sales	-	3,264	-	-	-	-	3,264	26,404
Miscellaneous local revenue	28,779	-	-	-	16,835	5,808	51,422	76,936
State sources	703,043	7,360	4,698	-	-	-	715,101	697,985
Federal sources	508,659	200,731	-	-	-	-	709,390	369,829
Interdistrict and other sources	53,720	-	-	-	-	-	53,720	47,838
Total Revenues	3,098,160	211,481	313,445	197,221	18,087	5,808	3,844,202	3,592,553
EXPENDITURES:								
Current								
Instruction	1,469,184	-	-	-	-	-	1,469,184	1,511,518
Supporting services	1,340,449	-	-	-	-	2,951	1,343,400	1,203,139
Community	3,414	-	-	-	-	-	3,414	355
Food service	-	201,494	-	-	-	-	201,494	169,880
Debt service -								
Principal	32,920	-	240,000	115,000	-	-	387,920	380,616
Interest and fees	2,966	-	69,450	80,368	-	-	152,784	163,640
Taxes charged back	-	-	883	641	-	-	1,524	-
Capital outlay	-	-	-	-	1,670,944	-	1,670,944	639,754
Total Expenditures	2,848,933	201,494	310,333	196,009	1,670,944	2,951	5,230,664	4,068,902
OTHER FINANCING SOURCES (USES):								
Operating transfer in	-	-	-	-	-	-	-	-
Operating transfer (out)	-	-	-	-	-	-	-	-
Sale of assets	-	-	-	-	-	-	-	-
Indirect cost	12,083	(12,083)	-	-	-	-	-	-
Redemption of school bus loans	-	-	-	-	-	-	-	-
Bond proceeds	-	-	-	-	-	-	-	-
Net other financing sources (uses)	12,083	(12,083)	-	-	-	-	-	-
NET CHANGE IN FUND BALANCES	261,310	(2,096)	3,112	1,212	(1,652,857)	2,857	(1,386,462)	(476,349)
FUND BALANCE - BEGINNING OF YEAR	322,357	76,787	33,061	18,736	1,773,837	63,274	2,288,052	2,764,401
FUND BALANCE - END OF YEAR	\$ 583,667	\$ 74,691	\$ 36,173	\$ 19,948	\$ 120,980	\$ 66,131	\$ 901,590	\$ 2,288,052

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, 2021

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ (1,386,462)

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	\$ (344,933)	
Capital outlay	1,784,805	
Loss on asset disposal	<u>(773)</u>	
Net		1,439,099

Accrued interest recorded in the statement of activities when incurred and reported in governmental funds when paid		1,923
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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	355,000	
Repayment of notes	<u>32,920</u>	387,920

The changes in net pension liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds.		(281,515)
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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.		115,736
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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		1,613
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Rounding		<u>(2)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 297,358</u>
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ATLANTA COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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, 2021

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.

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.

ATLANTA COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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 \$1,000 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.

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.

ATLANTA COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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, 2021

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.

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.

ATLANTA COMMUNITY SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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, 2021, 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	1.800
2018 Debt Retirement Fund:	
PRE, Non-PRE, Industrial Personal Property	1.500

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.

Upcoming Accounting Standards

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
June 30, 2021

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, 2021, the book value of the District's demand deposits, consisting of deposits and their cash equivalents, was \$490,076 with a corresponding bank balance of \$517,545. As of June 30, 2021, \$17,545 of the District's \$517,545 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.

Interest Rate Risk

ATLANTA COMMUNITY SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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:

	Governmental <u>Activities</u>	Total Primary <u>Government</u>
Cash and cash equivalents	\$ 490,076	\$ 490,076

ATLANTA COMMUNITY SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
June 30, 2021

As of June 30, 2021, 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	\$	304,290	0.1397	AAAm

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, 2021, 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.

ATLANTA COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 4. Capital Assets

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

	Balance July 1, 2020	Additions	Disposals	Balance June 30, 2021
Capital assets not being depreciated				
Land	\$ 1	\$ -	\$ -	\$ 1
Construction in progress	861,533	1,670,944	-	2,532,477
	<u>861,534</u>	<u>1,670,944</u>	<u>-</u>	<u>2,532,478</u>
Capital assets being depreciated				
Buildings and improvements	14,088,622	1,200	-	14,089,822
Buses and other vehicles	433,414	50,000	(18,000)	465,414
Furniture and equipment	1,770,048	62,661	(13,948)	1,818,761
	<u>17,153,618</u>	<u>1,784,805</u>	<u>(31,948)</u>	<u>18,906,475</u>
Total capital assets				
	17,153,618	1,784,805	(31,948)	18,906,475
Accumulated depreciation:				
Land improvements	-	-	-	-
Buildings and improvements	5,120,887	275,684	-	5,396,571
Buses and other vehicles	308,833	34,562	(18,000)	325,395
Furniture and equipment	1,688,630	34,730	(13,175)	1,710,185
	<u>7,118,350</u>	<u>344,976</u>	<u>(31,175)</u>	<u>7,432,151</u>
Total accumulated depreciation				
	7,118,350	344,976	(31,175)	7,432,151
Net capital assets	<u>\$ 10,035,268</u>	<u>\$ 1,439,829</u>	<u>\$ (773)</u>	<u>\$ 11,474,324</u>

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

Government Activities:

Unallocated	<u>\$ 344,976</u>
Total Governmental Activities	<u>\$ 344,976</u>

Note 5. Interfund Receivables, Payables and Transfers

There were no interfund balances as of June 30, 2021.

The detail for interfund transfers is as follows:

Governmental Funds	Interfund Transfer Out	Interfund Transfer In
Food Service	\$ 12,083	\$ -
General	<u>-</u>	<u>12,083</u>
	<u>\$ 12,083</u>	<u>\$ 12,083</u>

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

ATLANTA COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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.

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, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
2016 Building and site	\$ 3,055,000	\$ -	\$ (240,000)	\$ 2,815,000	\$ 245,000
2018 Building and site	2,500,000	-	(115,000)	2,385,000	125,000
Bus Note - 2018	49,582	-	(16,568)	33,014	15,998
Bus Note - 2019	66,260	-	(16,351)	49,909	15,466
Total bond obligations	5,670,842	-	(387,919)	5,282,923	401,464
Other long-term obligations					
Compensated absences	16,059	-	(1,613)	14,446	-
Early retirement incentive	19,500	-	(13,000)	6,500	6,500
Total other long-term obligations	35,559	-	(14,613)	20,946	6,500
Total long-term obligations	\$ 5,706,401	\$ -	\$ (402,532)	\$ 5,303,869	\$ 407,964

ATLANTA COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

	Principal	Interest	Total
2021	\$ 401,464	\$ 143,693	\$ 545,157
2022	\$ 413,931	133,869	547,800
2023	\$ 412,528	123,801	536,329
2024	\$ 410,000	113,867	523,867
2025	\$ 425,000	104,267	529,267
Thereafter	<u>3,220,000</u>	<u>403,672</u>	<u>3,623,672</u>
	<u>\$ 5,282,923</u>	<u>\$ 1,023,169</u>	<u>\$ 6,306,092</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, 2021 and 2020 was \$6,500 and \$19,500, respectively.

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, 2021, the amount which would be due upon retirement for eligible staff is \$14,446.

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, 2021.

ATLANTA COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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.

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.

ATLANTA COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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, 2019 valuation will be amortized over a 19-year period beginning October 1, 2019 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2020.

<u>Benefit Structure</u>	Pension Contribution Rates		
	<u>Member</u>	<u>Employer</u>	
		Universities	Non-Universities
Basic	0.0 - 4.0%	26.03%	19.41%
Member Investment Plan	3.0 - 7.0%	26.03%	19.41%
Pension Plus	3.0 - 6.4%	N/A	16.46%
Pension Plus 2	6.2%	N/A	19.59%
Defined Contribution	0.0%	19.74%	13.39%

Required contributions to the pension plan from Atlanta Community Schools were \$365,322 for the year ended September 30, 2020.

ATLANTA COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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

At June 30, 2021, the District reported a liability of \$4,566,448 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2019. 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, 2020, the District's proportion was .01329346 percent, which was an increase of .00013261 percent from its proportion measured as of September 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$645,539. At June 30, 2021, 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	\$ 69,772	\$ 9,746
Changes of Assumptions	506,006	-
Net difference between projected and actual earnings on pension plan investments	19,186	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	20,282	51,700
Employer contributions subsequent to the measurement date	371,264	175,344
Total	<u>\$ 986,510</u>	<u>\$ 236,790</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, 2022. 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
2021	\$ 256,463
2022	174,457
2023	91,204
2024	31,676

ATLANTA COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2019
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP and Basic Plans:	6.80% net of investment expenses
- Pension Plus Plan:	6.80% net of investment expenses
- Pension Plus 2 Plan:	6.00% net of investment expenses
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	
Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using 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, 2020, is based on the results of an actuarial valuation date of September 30, 2019, 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: [4.4892 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 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

ATLANTA COMMUNITY SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate
Domestic Equity Pools	25.0%	5.6%
Private Equity Pools	16.0	9.3
International Equity Pools	15.0	7.4
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	4.9
Absolute Return Pools	9.0	3.2
Real Return/Opportunistic Pools	12.5	6.6
Short-Term Investment Pools	2.0	0.1
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, 2020, the annual money-weighted rate of return on pension plan investment, net of pension 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 6.80% 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.

ATLANTA COMMUNITY SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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%
\$ 5,910,492	\$ 4,566,448	\$ 3,452,535

* 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 (MPSERS) Fiduciary Net Position

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

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

The District accrued liabilities to the System in the amount of \$49,768 associated with salary and wages recorded as liabilities at year end.

ATLANTA COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

Note 10. Postemployment Benefits Other Than Pensions (OPEB)

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 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.

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.

ATLANTA COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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, 2019 valuation will be amortized over a 19-year period beginning October 1, 2019 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year September 30, 2020.

OPEB Contribution Rates			
Benefit Structure	Member	Employer	
		Universities	Non-Universities
Premium Subsidy	3.00%	6.57%	8.09%
Personal Healthcare	0.00%	5.99%	7.57%

Required contributions to the OPEB plan from the District were \$94,739 for the year ended September 30, 2020.

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

At June 30, 2021, the District reported a liability of \$718,364 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2019. 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, 2020, District's proportion was 0.01340915 percent, which is an increase of .000422 percent from its proportion measured as of October 1, 2019.

ATLANTA COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

For the year ending June 30, 2021, Atlanta Community Schools' recognized OPEB expense of (\$21,208). At June 30, 2021, Atlanta Community Schools reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ -	\$ 535,248
Changes of Assumptions	236,859	-
Net difference between projected and actual earnings on OPEB plan investments	5,996	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	38,024	38,459
Employer contributions subsequent to the measurement date	84,985	-
Total	\$ 365,864	\$ 573,707

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, 2022. 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
2021	\$ (80,748)
2022	(72,433)
2023	(60,594)
2024	(47,585)
2025	(31,468)

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, 2021

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2019
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.95% net of investment expenses
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	7.0% Year 1 graded to 3.5% Year 15; 3.0% 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, 2020, is based on the results of an actuarial valuation date of September 30, 2017, 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: [5.6018 for non-university employers or 1.3472 for university employers]

Recognition period for assets in years is 5.0000

Full actuarial assumptions are available in the 2020 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

ATLANTA COMMUNITY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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, 2020, are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate
Domestic Equity Pools	25.0%	5.6%
Private Equity Pools	16.0	9.3
International Equity Pools	15.0	7.4
Fixed Income Pools	10.5	0.5
Real Estate and Infrastructure Pools	10.0	4.9
Absolute Return Pools	9.0	3.2
Real Return/Opportunistic Pools	12.5	6.6
Short-Term Investment Pools	2.0	(0.1)
TOTAL	100.0%	

**Long term rates of return are net of administrative expenses and 2.1% inflation*

Rate of Return

For the fiscal year ended September 30, 2020, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 5.24%. 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.

ATLANTA COMMUNITY SCHOOLS
 NOTES TO FINANCIAL STATEMENTS
June 30, 2021

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 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
\$ 922,820	\$ 718,364	\$ 546,229

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
\$ 539,638	\$ 718,364	\$ 921,642

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2020 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 \$7,593 associated with salary and wages recorded as liabilities at year end.

Note 11. Management Review

Management has evaluated subsequent events and transactions for potential recognition and disclosure through September 30, 2021, the date the financial statements were available to be issued. No significant events or transactions were identified.

Required Supplemental Information

ATLANTA COMMUNITY SCHOOLS
BUDGET COMPARISON SCHEDULE - GENERAL FUND
Year Ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Local sources	\$ 1,845,627	\$ 1,822,738	\$ 1,832,738	\$ 10,000
State sources	474,640	707,373	703,043	(4,330)
Federal sources	275,056	701,176	508,659	(192,517)
Interdistrict and other sources	40,525	53,720	53,720	-
Total Revenues	2,635,848	3,285,007	3,098,160	(186,847)
EXPENDITURES:				
Instruction-				
Elementary	418,300	406,283	392,445	13,838
High school	612,222	577,010	548,731	28,279
Special education	153,596	157,400	147,324	10,076
Compensatory education	314,669	509,697	380,684	129,013
				-
Supporting services -				
Pupil	77,452	87,441	84,927	2,514
Instructional staff	21,015	133,063	121,401	11,662
General administration	130,496	128,673	115,239	13,434
School administration	148,456	145,216	138,726	6,490
Business services	187,889	204,791	194,570	10,221
Operation & maintenance	321,385	417,239	349,682	67,557
Transportation	178,273	218,622	190,097	28,525
Support services - Central	80,000	83,077	76,390	6,687
Support services - Other	81,282	81,333	69,417	11,916
				-
Community services -				
Community activities	850	4,417	3,414	1,003
Total Expenditures	2,725,885	3,154,262	2,813,047	341,215
OTHER FINANCING SOURCES (USES)				
Operating transfers out	-	-	-	-
Sale of assets	-	-	-	-
Indirect costs recovery	11,000	24,500	12,083	(12,417)
Indirect costs	-	(25,242)	-	25,242
Redemption of school bus loans	-	-	-	-
Principal Payments	(31,623)	(32,920)	(32,920)	-
Interest on school bus loans	(4,265)	(2,966)	(2,966)	-
Net other financing sources (uses)	(24,888)	(36,628)	(23,803)	12,825
NET CHANGE IN FUND BALANCE	(114,925)	94,117	261,310	167,193
FUND BALANCE - BEGINNING OF YEAR	120,468	322,357	322,357	-
FUND BALANCE - END OF YEAR	\$ 5,543	\$ 416,474	\$ 583,667	167,193

ATLANTA COMMUNITY SCHOOLS
 BUDGET COMPARISON SCHEDULE - FOOD SERVICE FUND
 Year Ended June 30, 2021

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget
REVENUES:				
Local sources	\$ 31,580	\$ 2,835	\$ 3,390	\$ 555
State sources	5,039	7,359	7,360	1
Federal sources	110,932	196,511	200,731	4,220
Total Revenues	147,551	206,705	211,481	4,776
EXPENDITURES:				
Supporting services -				
Food service	169,601	236,012	201,494	34,518
OTHER FINANCING SOURCES (USES):				
Indirect costs	(11,925)	(24,500)	(12,083)	12,417
Operating transfer In	-	-	-	
Net other financing sources (uses)	(11,925)	(24,500)	(12,083)	12,417
NET CHANGE IN FUND BALANCE	(33,975)	(53,807)	(2,096)	51,711
FUND BALANCE - BEGINNING OF YEAR	64,344	76,787	76,787	-
FUND BALANCE - END OF YEAR	\$ 30,369	\$ 22,980	\$ 74,691	\$ 51,711

ATLANTA COMMUNITY SCHOOLS
 REQUIRED SUPPLEMENTAL INFORMATION
 June 30, 2021

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 (%)				0.01329%	0.01326%	0.01360%	0.01347%	0.01350%	0.01378%	0.01411%
B. District's proportionate share of net pension liability				\$ 4,566,448	\$ 4,391,753	\$ 4,089,295	\$ 3,482,663	\$ 3,367,646	\$ 3,377,709	\$ 3,108,312
C. District's covered-employee payroll				\$ 1,195,628	\$ 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				381.93%	384.73%	350.19%	306.25%	296.50%	265.10%	256.21%
E. Plan fiduciary net position as a percentage of total pension liability				59.72%	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, 2021

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				\$ 396,053	\$ 364,087	\$ 353,029	\$ 392,772	\$ 303,105	\$ 265,908	\$ 247,150
B. Contributions in relation to statutorily required contributions*				<u>\$ 396,053</u>	<u>\$ 364,087</u>	<u>\$ 353,029</u>	<u>\$ 392,772</u>	<u>\$ 316,904</u>	<u>\$ 265,908</u>	<u>\$ 247,150</u>
C. Contribution deficiency (excess)				<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (13,799)</u>	<u>\$ -</u>	<u>\$ -</u>
D. District's covered-employee payroll**				\$ 1,188,626	\$ 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				33.32%	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, 2021**

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 (%)							0.01341%	0.01299%	0.01369%	0.01347%
B. Employer's proportionate share of net OPEB liability							\$ 718,364	\$ 932,165	\$ 1,084,126	\$ 1,192,749
C. Employer's covered payroll (OPEB)*							\$ 1,195,628	\$ 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 (%)							60.08%	81.66%	92.84%	104.88%
E. Plan fiduciary net position as a percentage of total OPEB liability							59.44%	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, 2021**

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							\$ 94,602	\$ 95,243	\$ 84,453	\$ 56,658
B. OPEB contributions in relation to statutorily required contributions*							\$ 94,602	\$ 95,243	\$ 84,453	\$ 56,658
C. Contribution deficiency (excess)							\$ -	\$ -	\$ -	\$ -
D. Employer's covered payroll (OPEB)**							\$ 1,188,626	\$ 1,189,850	\$ 1,173,925	\$ 1,117,152
E. OPEB contributions as a percentage of covered payroll							7.96%	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, 2021

Changes of Benefit Terms

There were no changes of benefit terms in fiscal year ended September 30, 2020.

Changes of Assumptions

There were no changes of benefit assumptions in fiscal year ended September 30, 2020.

Other Supplemental Information

ATLANTA COMMUNITY SCHOOLS
 DETAIL OF 2016 BUILDING AND SITE BOND
 June 30, 2021

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
2021	\$ -	\$ -	\$ 32,075	\$ 32,075
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>\$ 2,815,000</u>	<u>\$ 197,675</u>	<u>\$ 197,675</u>	<u>\$ 3,210,350</u>

ATLANTA COMMUNITY SCHOOLS
 DETAIL OF 2018 BUILDING SITE BOND
 June 30, 2021

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
2021	\$ -	\$ -	\$ 38,209	\$ 38,209
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>\$ 2,385,000</u>	<u>\$ 310,998</u>	<u>\$ 311,009</u>	<u>\$ 3,007,007</u>

ATLANTA COMMUNITY SCHOOLS
 DETAIL OF 2018 BUS NOTE
 June 30, 2021

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	
2021	\$ 15,998	\$ 1,003	\$ 17,001
2022	17,016	509	17,525
	<u>\$ 33,014</u>	<u>\$ 1,512</u>	<u>\$ 34,526</u>

ATLANTA COMMUNITY SCHOOLS
 DETAIL OF 2019 BUS NOTE
 June 30, 2021

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	
2021	\$ 15,466	\$ 2,123	\$ 17,589
2022	16,915	1,443	18,358
2023	17,528	734	18,262
	<u>\$ 49,909</u>	<u>\$ 4,300</u>	<u>\$ 54,209</u>



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CERTIFIED PUBLIC ACCOUNTANTS

Partners:
Timothy J. Quast, C.P.A.
David G. Gwizdala, C.P.A.
Robert E. Friske, C.P.A.

Members:
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, 2021, and the related notes to the financial statements, which collectively comprise Atlanta Community Schools' basic financial statements, and have issued our report thereon dated September 30, 2021.

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 2021-001.

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
September 30, 2021

ATLANTA COMMUNITY SCHOOLS
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2021

Non-Compliance

FINDING 2021-001: Noncompliance with USDA Net Cash Resources (repeat finding)

Condition: At June 30, 2021 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 2022 to formally submit the plan and will have until June 30, 2022 to fully execute the plan and eliminate the excess fund balance.