

September 6, 2011

Straley, Ilesley & Lamp P.C.
P.O. Box 738
Alpena, MI 49707

We are providing this letter in connection with your audit of the financial statements of Atlanta Community Schools as of June 30, 2011 and for the years then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Atlanta Community Schools and the respective changes in financial position and, where applicable, cash flows thereof in conformity with U.S. generally accepted accounting principles. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with U.S. generally accepted accounting principles. We are also responsible for adopting sound accounting policies, establishing and maintaining effective internal control over financial reporting, and preventing and detecting fraud.

We confirm, to the best of our knowledge and belief, as of September 6, 2011, the following representations made to you during your audit.

- 1) The financial statements referred to above are fairly presented in conformity with U.S. generally accepted accounting principles and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 2) We have made available to you all—
 - a) Financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
 - b) Minutes of the meetings of the Board of Education or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 3) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 4) There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.
- 5) We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
- 6) We have no knowledge of any fraud or suspected fraud affecting the entity involving:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 7) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators, or others.

- 8) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 9) The School district has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 10) The following, if any, have been properly recorded or disclosed in the financial statements:
 - a) Related party transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.
 - b) Guarantees, whether written or oral, under which the School district is contingently liable.
- 11) All accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates and measurements. We believe the estimates and measurements are reasonable in the circumstances.
- 12) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
- 13) There are no—
 - a) Violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
 - b) We are not aware of any pending or threatened litigation, claims or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with generally accepted accounting principles (*Statement of Financial Accounting Standards No. 5*), and we have not consulted a lawyer concerning litigation, claims or assessments.
 - c) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by generally accepted accounting principles (*Statement of Financial Accounting Standards No. 5*).
- 14) As part of your audit, you assisted with preparation of the financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
- 15) The school district has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 16) The school district has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 17) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- 18) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 19) The financial statements properly classify all funds and activities.
- 20) All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 21) Components of net assets (invested in capital assets, net of related debt; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
- 22) Investments, derivative transactions, and land and other real estate held by endowments are properly valued.

- 23) Provisions for uncollectible receivables have been properly identified and recorded.
- 24) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 25) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 26) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 27) Deposits and investment securities and derivative transactions are properly classified as to risk and are properly disclosed.
- 28) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 29) We have appropriately disclosed the school district's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available and have determined that net assets were properly recognized under the policy.
- 30) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 31) We have evaluated the school district's ability to continue as a going concern and have included appropriate disclosures, as necessary, in the financial statements.
- 32) We have evaluated and classified any subsequent events as recognized or nonrecognized through the date of this letter. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Signed: _____

Signed: _____

Title: Superintendent

Title: Business Manager

ATLANTA COMMUNITY SCHOOLS

AUDITORS' REPORT TO THE BOARD OF EDUCATION

Mark Sandula, C.P.A., of Straley, Ilesley & Lamp P.C.

September 19, 2011

A. PERSONNEL PROVIDING SERVICES

Mark Sandula, C.P.A.	Auditor
James Kraenzlein, C.P.A./A.B.V., C.V.A.	Auditor
Mary Pingot	Auditor
Courtney Hoover	Auditor
Kathy Ableidinger	Report Preparation

B. SERVICES PROVIDED

1. Audit of financial statements.
2. Auditor communications.
3. Consulting and special projects as requested.

C. AUDITORS' COMMENTS ON THE AUDIT

1. Internal control communications and audit communications letters.
2. Review of Audited Financial Statements.
 - a. Independent Auditors Report (pages 1 -2).
 - b. Management's Discussion and Analysis, (pages 3-9).
 - c. Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds (page 16).

(1)	General Fund – Total Revenues	\$ 3,019,635
(2)	General Fund – Total Expenditures	(3,062,411)
(3)	General Fund – Other Financing Use	(42,776)
(4)	General Fund – Change in Fund Balance	(53,351)
(5)	General Fund – Fund Balance, End of Year	353,820

This represents 11.51% of 2011 expenditures and other financing uses or approximately 42 Days operating funds on hand.

D. QUESTIONS AND DISCUSSION

ATLANTA COMMUNITY SCHOOLS

Audited Financial Statements and
Other Supplementary Financial Information

Year Ended June 30, 2011

STRALEY, ILSLEY & LAMP P.C.



Certified Public Accountants

PHILIP T. STRALEY, C.P.A./P.F.S.
ROBERT D. ILSLEY, C.P.A.
BERNARD R. LAMP, C.P.A.
MARK L. SANDULA, C.P.A.
JAMES E. KRAENZLEIN, C.P.A./A.B.V./C.F.F.
DONALD C. LEVREN

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TELEPHONE (989) 356-4531
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TAX, AUDIT AND BUSINESS CONSULTANTS

RETIRED
GORDON A. NETHERCUT, C.P.A.

AUDIT COMMUNICATIONS

To the Board of Education
Atlanta Community Schools
Atlanta, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Atlanta Community Schools for the year ended June 30, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 21, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*.

As stated in our engagement letter dated June 3, 2011, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Atlanta Community Schools. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Atlanta Community School's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for the supplementary information accompanying the financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 21, 2011.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Atlanta Community School's are described in Note 1 to the financial statements. As described in Notes 1 and 8 to the financial statements, Atlanta Community School's changed accounting policies related to Fund Equity by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions in 2011. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the notes to the financial statements.

We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the depreciation expense is based on management's assumptions about the useful lives of its fixed assets. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 6, 2011.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Other Matters

1. Recent Pronouncements. The Governmental Accounting Standards Board and Michigan Department of Education, in its continuing process of updating the accounting principles that all governments must adhere to, has issued the following recent pronouncements that will have an impact on the way Atlanta Community School’s maintains its financial records:
 - A. **GASB Statement No. 61 The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No. 14 and No. 34.** The objective of this statement is to improve financial reporting for a governmental financial reporting entity. The requirements have been amended to better meet user needs and to address reporting entity issues. The requirements of this statement are effective for financial statements of the School District for the year ended June 30, 2013. Earlier application is encouraged.
 - B. **GASB Statement No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.** The requirements of this statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows and their effects on a government’s net position. The requirements of this statement are effective for financial statements of the School District for the year ended June 30, 2013. Earlier application is encouraged.

2. Issues Likely to Impact Schools.

- A. Government Deposit Insurance.** Under Michigan Law, governmental units, including school districts, are directed and limited where they may invest or deposit public funds. Depository institutions such as banks, credit unions, or savings and loans may offer FDIC insurance coverage.

The insurance coverage of a school's accounts depends upon the type of deposit. All time and savings deposits (which include NOW accounts, CD's, money market deposit accounts, and other interest-bearing accounts) held by a school in a particular insured depository institution within the State are added together and insured up to \$250,000. Separately, all demand deposits (checking accounts) held in the same insured depository institution within the same State are added together and insured up to \$250,000. Special rules apply to funds that are required to be set aside for debt owed to holders of notes or bonds – additional insured coverage may be available for the beneficial interest of each bondholder.

Effective on December 31, 2010 and continuing through December 31, 2012, the Dodd-Frank Act provides unlimited FDIC insurance for noninterest-bearing transaction accounts in all banks. The unlimited coverage provided for in the Dodd-Frank Act for 2011 and 2012 includes only transaction accounts that pay no interest and does not include any interest-bearing NOW accounts.

Market events have indicated that certain financial institutions, including some within the Midwest region, may be experiencing financial distress. In the event of a regulatory takeover of a financial institution, uninsured or underinsured depositors may not receive all of their funds back after the regulatory takeover.

We encourage the School District to perform the necessary due diligence to assure itself that it has the protection and coverage it desires to protect its public funds.

We wish to thank the staff of Atlanta Community School's for their assistance during the audit.

This report is intended solely for the information and use of Atlanta Community School's Board of Education, Michigan Department of Education, Management, and others within the governmental unit and is not intended to be and should not be used by anyone other than these specified parties.

We commend the School District for its excellent recordkeeping system and appreciate the opportunity to serve Atlanta Community Schools. If you have any questions, or if we can be of further service, please do not hesitate to contact us.

Very truly yours,

Staley, Ilsey & Lamp P.C.

September 6, 2011

ATLANTA COMMUNITY SCHOOLS

2010 - 2011 SCHOOL YEAR

BOARD OF EDUCATION

President	December, 2011	Janette Sarkozi
Vice-President	December, 2013	John Fazekas
Treasurer	December, 2013	Donna Anderson
Secretary	December, 2012	Laurel Orm
Trustee	December, 2013	Ronald Karr
Trustee	December, 2014	Roselyn Ferguson
Trustee	December, 2014	Michael Talbot

ADMINISTRATIVE STAFF

Superintendent/ Principal of Schools	Teresa Stauffer
Business Manager	Donald Schaedig
Director of Athletics	Ron Blewett
Director of Transportation	Scott Hitchcock
Director of Food Service	Ann Winkelman

INDEPENDENT AUDITORS..... Straley, Ilsley & Lamp P.C.

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

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Certified Public Accountants

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TAX, AUDIT AND BUSINESS CONSULTANTS

RETIRED
GORDON A. NETHERCUT, C.P.A.

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Atlanta Community Schools**, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the **Atlanta Community Schools'** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 6, 2011, on our consideration of the **Atlanta Community Schools'** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Required Supplemental Information

The management's discussion and analysis and the required supplementary information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Other Supplemental Information and Individual Fund Financial Statements

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise **Atlanta Community Schools'** basic financial statements. The additional information identified in the table of contents as other supplemental information and individual fund financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Straley, Itshy, Lamp P.C.

September 6, 2011

Atlanta Community Schools Management's Discussion and Analysis

The following is management's discussion and analysis of the financial position and results of operations for the fiscal year ended June 30, 2011. Please read it in conjunction with the financial statements and related footnotes, which follow this section.

Using this Annual Report

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

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

Basic Financial Statements

Government-Wide Financial Statements Fund Financial Statements

Notes to the Basic Financial Statements

(Required Supplemental Information)

Budgetary information for General Fund,

Other Supplemental Information

Combining Statements for Nonmajor Governmental Funds
Individual Fund Statements

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

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

Atlanta Community Schools Management's Discussion and Analysis

These two statements report the school district's net assets and how they have changed. Net assets – the difference between assets and liabilities, as reported in the statement of net assets - is one way to measure the school district's financial health, or position. Over time, increases or decreases in the school district's net assets – 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 our students, not to generate profits as commercial entities do. One must consider many other non-financial factors, such as the quality of the education provided and the safety of the schools to assess the overall health of the Atlanta Community Schools.

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

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

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

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

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

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

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

**Atlanta Community Schools
Management's Discussion and Analysis**

The School District as a Whole

Recall that the statement of net assets provides the perspective of the school district as a whole. Table 1 provides a summary of the school district's net assets as of June 30, 2011 and 2010:

TABLE 1

	2011	2010
ASSETS		
Current and Other Assets	\$ 810,585	\$ 914,537
Property and Equipment	7,926,318	8,066,471
	\$ 8,736,903	\$ 8,981,008
LIABILITIES		
Current Liabilities	\$ 693,551	\$ 794,912
Long-term Liabilities	2,951,845	3,378,160
	\$ 3,645,396	\$ 4,173,072
NET ASSETS		
Invested in property and equipment -		
Net of related debt	\$ 4,649,971	\$ 4,367,686
Nonspendable	42,874	43,863
Restricted	213,204	227,846
Unassigned	185,458	168,541
	\$ 5,091,507	\$ 4,807,936

The above analysis focuses on the net assets. The change in net assets (see Table 2) of the school district's governmental activities is discussed below. The school district's net assets were \$5,091,507 at June 30, 2011. Capital assets, net of related debt totals \$4,649,971 and compares the original cost, less depreciation of the school district's capital assets to long-term debt used to finance the acquisition of those assets. The remaining amount of the net assets consisted of nonspendable of \$42,874, restricted of \$213,204 and unassigned of \$185,458.

The \$185,458 in unassigned net assets of governmental activities represents the *accumulated* results of all past years' operations. The unrestricted net assets balance enables the school district to meet working capital and cash flow requirements as well as provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

**Atlanta Community Schools
Management's Discussion and Analysis**

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 assets for fiscal year 2011 as compared to fiscal 2010.

TABLE 2

	2011	2010
Revenue		
Program revenue:		
Charges for services	\$ 66,869	\$ 73,446
Operating grants	573,473	710,502
General revenue:		
Property taxes	2,434,161	2,409,861
State aid	599,145	837,936
Investment earnings	8,482	36,530
Miscellaneous	41,300	39,229
Total revenue	\$ 3,723,430	\$ 4,107,504
Functions/Program Expenses		
Instruction	\$ 1,787,259	\$ 1,903,960
Support services	1,047,811	1,233,821
Food services	156,716	187,168
Interest on long-term debt	162,150	185,124
Depreciation (unallocated)	285,923	352,392
Total expenses	\$ 3,439,859	\$ 3,862,465
Increase (Decrease) in Net Assets	\$ 283,571	\$ 245,039

As reported in the statement of activities, the cost of all of our *governmental* activities this year was \$3,439,859. Certain activities were partially funded from those who benefited from the programs \$66,869, or by other governments and organizations that subsidized certain programs with grants and contributions \$573,473. The District paid for the remaining "public benefit" portion of our governmental activities with \$2,434,161 in taxes, \$599,145 in state aid and with \$49,782 of our other revenues (i.e., interest and other general revenue).

The school district experienced an increase in net assets of \$283,571. The key reason for the change in net assets included a reduction in long term debt of \$487,150. This was offset by depreciation charges of \$285,923. The change in the balance of the remaining function program expenses from the previous year was reduced by \$356,137. This was able to offset a decrease in total revenues from the previous year of \$384,074.

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

Atlanta Community Schools Management's Discussion and Analysis

The School District's Funds

As we noted earlier, the school district uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the school district is being accountable for the resources taxpayers and others provide and may provide more insight into the school district's overall financial health. As the school district completed this year, the governmental funds reported a combined fund balance of \$569,228 which is a decrease of \$(65,789) from last year.

The General Fund fund balance available to fund general operations costs for instructional, administrative and support services decreased \$(53,351) to end the year at \$353,820.

General Fund Budgetary Highlights

During the course of the year, the school district performs budget amendments as necessary to reflect changes from the original budget adopted in June of 2010. These budget amendments reflect changes in enrollment, personnel and other costs that became more defined during the fiscal year. One budget amendment was made on December 13, 2010 for the 2010-11 fiscal year. (A schedule showing the school district's original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these financial statements).

A large portion (31.49%) of the school district funding is in the form of state aid and federal grants. Generally, the amount of assistance from state aid, state grants and federal grants is not known until the fiscal year has been partially completed. The 2010-11 state foundation allowance grant was initially established at \$7,316 per pupil but subsequently reduced to \$7151.

Overall, the school district's general fund expenditures exceeded revenues by \$65,789 thereby decreasing the fund equity to \$353,820, which equates to 12 percent of the total district expenditures made in 2010-11.

Debt Administration

At the end of this year, the school district had \$3,376,347 in outstanding bonded debt which decreased by \$408,138 from the prior year.

The school district was also able to reduce its capital lease obligations by \$38,785, which resulted in all capital lease obligations being paid in full at June 30, 2011.

In addition, the school district decreased its early retirement incentive liability by \$34,500, and the compensated absences liability decreased by \$5,727.

Atlanta Community Schools Management's Discussion and Analysis

Capital Assets

At June 30, 2011, the school district had \$7,926,318 invested in a broad range of capital assets, including land, buildings, furniture and equipment, and vehicles. The Capital Assets experienced a net decrease (including additions, deductions, and depreciation) of approximately \$(140,153) from last year. This represented depreciation of \$285,923.

	<u>2011</u>	<u>2010</u>
Assets not being depreciated - Land	\$ 1	\$ 1
Buildings and improvements	10,708,724	10,708,724
Furniture , fixtures and equipment	1,632,069	1,632,069
Vehicles and buses	<u>207,279</u>	<u>78,913</u>
Total capital assets	12,548,073	12,419,707
Less accumulated depreciation	<u>(4,621,755)</u>	<u>(4,353,236)</u>
Net capital sets	<u>\$ 7,926,318</u>	<u>\$ 8,066,471</u>

Economic Factors and Next Year's Budgets and Rates

Our Board of Education and administration consider many factors when setting the school district's 2011-12 fiscal year budgets. The 2011-12 fiscal year budgets were adopted in June 2011 based on student enrollment, property valuations, state and federal revenue estimates available at that time. Under state law, the school district cannot access additional property taxes for operations without a vote by the electorate within the ISD (Atlanta Community Schools District). As a result, district funding is heavily dependent on the State's ability to fund local school district operations. Once final pupil counts and added cost calculations are made, State law requires the school district to amend the budget if actual resources are not sufficient to fund original appropriations. Since the school district's revenue is heavily dependent on State funding and the economic 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. The School Aid Fund receives a significant amount of revenue from the 2% additional sales tax voted under Proposal A. Accordingly, statewide economic activity has a direct impact on the amount of foundation grant that is funded by the State of Michigan. The 2011-12 foundation grant, as proposed by Governor Snyder is estimated at \$6,846, which represents a \$305 per pupil reduction from 2010-11.

Additionally, the impact of declining enrollment has seriously limited the district's ability to fund current programs. Schools are funded under Proposal, A which directly ties the local school state aid to the number of pupils enrolled. The Atlanta Community School District enrollment for 2010-11 declined by twenty-six students from 2008-09. Likewise, the 2011-12 enrollment is estimated to be three hundred students, a decline of twenty-nine students from 2010-11. The declining enrollment trend is expected to continue based upon the economic conditions within the district.

Atlanta Community Schools Management's Discussion and Analysis

Future state aid funding is a serious concern for the Atlanta Community Schools since the Michigan economic activity, along with tax revenues, continues to decline. The State of Michigan used federal stimulus monies to balance the 2010-11 school aid fund. Schools have seen their foundation grant decreased in 2011-12 and can, most likely, expect reductions in future years. This potential decrease in the foundation grant, along with increases in utility and health insurance costs, presents a significant financial challenge to the district as it attempts to maintain its current educational program offerings.

Contacting the School District's Financial Management

This financial report is designed to provide the school district's citizens, taxpayers, customers, investors, and creditors with a general overview of the school district's finances and to demonstrate the school district's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Superintendent of Atlanta Community Schools, Teresa Stauffer, at 10500 County Road 489, Atlanta, Michigan 49709, (989)785-4877.

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BASIC FINANCIAL STATEMENTS

Atlanta Community Schools

STATEMENT OF NET ASSETS

June 30, 2011

	<u>Governmental Activities</u>
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 504,788
Accounts receivable	2,685
Due from other governmental units	260,238
Prepaid expenses	42,874
	<hr/>
Total Current Assets	810,585
	<hr/>
NON-CURRENT ASSETS	
Capital assets	12,548,073
Less: Accumulated depreciation	(4,621,755)
	<hr/>
Total Non-Current Assets	7,926,318
	<hr/>
TOTAL ASSETS	<u>8,736,903</u>
	<hr/>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	28,299
Payroll deductions and withholdings	36,491
Accrued expenditures	29,520
Salaries payable	129,251
Interest payable	24,406
Deferred revenues	17,796
Current portion of long-term debt	427,788
	<hr/>
Total Current Liabilities	693,551
	<hr/>
NON-CURRENT LIABILITIES	
Long-term debt due in more than one year	2,951,845
	<hr/>
Total Liabilities	3,645,396
	<hr/>
NET ASSETS	
Invested in capital assets, net of related debt	4,649,971
Unspendable	42,874
Restricted for:	
Debt service	201,527
Food service	11,677
Unassigned	185,458
	<hr/>
Total Net Assets	<u>\$ 5,091,507</u>
	<hr/>

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

Atlanta Community Schools

STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES

Year Ended June 30, 2011

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	
FUNCTION / PROGRAMS				
Instruction	\$ 1,787,259	\$ 700	\$ 452,424	\$ (1,334,135)
Supporting services	1,047,811	33,900	17,360	(996,551)
Food Services	156,716	32,269	103,689	(20,758)
Interest and fees on Long-Term Debt	162,150	-	-	(162,150)
Depreciation - unallocated	285,923	-	-	(285,923)
Total Governmental Activities	<u>3,439,859</u>	<u>66,869</u>	<u>573,473</u>	<u>(2,799,517)</u>
General Revenues:				
Property taxes, levied for general purposes				1,880,155
Property taxes, levied for debt retirement				554,006
State aid				599,145
Investment earnings				8,482
Gain (loss) on sale of fixed assets				4,123
Miscellaneous				<u>37,178</u>
Total General Revenues				<u>3,083,089</u>
Change in Net Assets				283,571
Net Assets - Beginning of the year				<u>4,807,936</u>
Net Assets - End of the year				<u>\$ 5,091,507</u>

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

Atlanta Community Schools

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2011

	General Fund	Debt Retirement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 293,876	\$ 201,527	\$ 9,385	\$ 504,788
Accounts receivable	2,685	-	-	2,685
Due from other governmental units	257,946	-	2,292	260,238
Prepaid expenses	40,670	-	2,204	42,874
Total assets	<u>\$ 595,177</u>	<u>\$ 201,527</u>	<u>\$ 13,881</u>	<u>\$ 810,585</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 28,299	\$ -	\$ -	\$ 28,299
Payroll deductions and withholdings	36,491	-	-	36,491
Accrued expenditures	29,520	-	-	29,520
Salaries payable	129,251	-	-	129,251
Deferred revenues	17,796	-	-	17,796
Total liabilities	<u>241,357</u>	<u>-</u>	<u>-</u>	<u>241,357</u>
Fund balances				
Unspendable	40,670	-	2,204	42,874
Restricted	-	201,527	11,677	213,204
Unassigned	313,150	-	-	313,150
Total fund balances	<u>353,820</u>	<u>201,527</u>	<u>13,881</u>	<u>569,228</u>
Total liabilities and fund balances	<u>\$ 595,177</u>	<u>\$ 201,527</u>	<u>\$ 13,881</u>	<u>\$ 810,585</u>

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

Atlanta Community Schools

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES**

June 30, 2011

Total Governmental Fund Balances		\$	569,228
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. Capital assets at the year end consist of:			
Capital asset cost	\$	12,548,073	
Capital asset accumulated depreciation		<u>(4,621,755)</u>	
			7,926,318
Accrued interest on long-term liabilities			(24,406)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year end consist of:			
Bonds payable (net of unamortized discount)		(3,276,347)	
Compensated absences payable		(31,786)	
Retirement incentive liabilities		<u>(71,500)</u>	
Total long-term liabilities			<u>(3,379,633)</u>
Total Net Assets - Governmental Activities		\$	<u><u>5,091,507</u></u>

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

Atlanta Community Schools

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
GOVERNMENTAL FUNDS**

Year ended June 30, 2011

	General Fund	Debt Retirement Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Local sources:				
Property taxes	\$ 1,880,155	\$ 554,006	\$ -	\$ 2,434,161
Tuition	700	-	-	700
Transportation fees	14,981	-	-	14,981
Earnings on investments and deposits	5,337	3,084	45	8,466
Rents	6,000	-	-	6,000
Athletics revenue	21,204	-	-	21,204
Food sales	-	-	31,371	31,371
Miscellaneous local revenue	19,477	-	898	20,375
State sources	588,442	-	10,702	599,145
Federal sources	386,217	-	103,689	489,906
Interdistrict sources	83,567	-	-	83,567
Extra-ordinary sources	13,555	-	-	13,555
Total revenues	<u>3,019,635</u>	<u>557,090</u>	<u>146,705</u>	<u>3,723,430</u>
EXPENDITURES				
Current:				
Instruction	1,787,259	-	-	1,787,259
Supporting services	1,233,808	-	-	1,233,808
Food service	-	-	156,716	156,716
Debt Service:				
Principal retirement	38,785	405,000	3,138	446,923
Interest and fees	2,559	161,484	470	164,513
Total expenditures	<u>3,062,411</u>	<u>566,484</u>	<u>160,324</u>	<u>3,789,219</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(42,776)</u>	<u>(9,394)</u>	<u>(13,619)</u>	<u>(65,789)</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	10,575	10,575
Transfer to other funds	(10,575)	-	-	(10,575)
Total other financing sources (uses)	<u>(10,575)</u>	<u>-</u>	<u>10,575</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(53,351)	(9,394)	(3,044)	(65,789)
FUND BALANCES, beginning of the year	<u>407,171</u>	<u>210,921</u>	<u>16,925</u>	<u>635,017</u>
FUND BALANCES, end of the year	<u>\$ 353,820</u>	<u>\$ 201,527</u>	<u>\$ 13,881</u>	<u>\$ 569,228</u>

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

Atlanta Community Schools

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Year ended June 30, 2011

Total net change in fund balances - governmental funds		\$	(65,789)
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.			
Capital asset additions	\$	145,770	
Current year depreciation expense		<u>(285,923)</u>	
			(140,153)
Repayment of the debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.			
Bonds payable		408,138	
Capital leases payable		<u>38,785</u>	
			446,923
Net change in accrued interest payable:			
Accrued interest on long-term liabilities June 30, 2011		(24,406)	
Accrued interest on long-term liabilities June 30, 2010		<u>26,769</u>	
			2,363
Net change in accrued compensated absences:			
Accrued compensated absences June 30, 2011		(31,786)	
Accrued compensated absences June 30, 2010		<u>37,513</u>	
			5,727
Net change in early retirement incentives:			
Early retirement incentives June 30, 2011		(71,500)	
Early retirement incentives June 30, 2010		<u>106,000</u>	
			34,500
Change in Net Assets of Governmental Activities		<u>\$</u>	<u>283,571</u>

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

Atlanta Community Schools

STATEMENT OF AGENCY FUND ASSETS AND LIABILITIES

June 30, 2011

	<u>Student Activity Fund</u>
ASSETS	
Cash and cash equivalents	<u>\$ 54,183</u>
Total assets	<u>54,183</u>
LIABILITIES	
Due to student groups	<u>54,183</u>
Total liabilities	<u>54,183</u>
NET ASSETS	
Unassigned	<u>-</u>
Total net assets	<u><u>\$ -</u></u>

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

Atlanta Community Schools

NOTES TO FINANCIAL STATEMENTS

NOTE 1--SIGNIFICANT ACCOUNTING POLICIES.

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

A. Description of Operations and Reporting Entity.

Description of Operations. The School District operates under a locally elected seven-member Board form of government and provides educational and supportive services to students K-12 as mandated by the State of Michigan and/or federal agencies. The School District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. The Board is responsible for adopting and amending budgets and for administering the school programs in accordance with governing laws and provides services to approximately 330 in grades K-12.

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

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

B. Fund Accounting.

Fund Accounting. The School District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain School District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the School District are grouped into the categories governmental and fiduciary.

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

General Fund. This fund is used to account for financial resources of the School District pertaining to education and those transactions not accounted for and reported in another fund. Included are all transactions related to the approved current operating budget.

Atlanta Community Schools

NOTES TO FINANCIAL STATEMENTS

NOTE 1--SIGNIFICANT ACCOUNTING POLICIES. (continued)

The expenditures are classified in accordance with the latest revised edition of the *Accounting Manual for Michigan School Districts* (Bulletin 1022, as revised) issued by the Michigan Department of Education as follows:

Instruction - Instruction includes the activities dealing directly with the teaching of pupils or the interaction between teacher and pupils. Teaching may be provided for pupils in a school classroom; in another location, such as in a home or hospital; and other learning situations, such as those involving co-curricular activities. It may also be provided through some other approved medium, such as television, radio, telephone, and correspondence. Included here are the activities of aides, assistants of any type, and supplies and machines which assist directly in the instruction process.

Supporting Services - Supporting services are those services which provide administrative, technical (such as guidance and health), and logistical support to facilitate and enhance instruction and, to a lesser degree, community services. Supporting services exist as adjuncts for the fulfillment of the objectives of instruction, rather than as entities within themselves.

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

Debt Retirement Funds. These funds are used to account for and report all financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

The other governmental funds of the School District account for grants and other resources whose use is restricted for a particular purpose, and the accumulation of resources for, and the repayment of debt.

Fiduciary Funds. Fiduciary funds are used to account for assets held by the School District in a trustee capacity or as an agent for others. The School District presently maintains an agency fund to record the transactions of student groups for school and school related purposes.

C. Basis of Presentation.

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

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

Atlanta Community Schools

NOTES TO FINANCIAL STATEMENTS

NOTE 1--SIGNIFICANT ACCOUNTING POLICIES. (continued)

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

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

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

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting.

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

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

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

Atlanta Community Schools

NOTES TO FINANCIAL STATEMENTS

NOTE 1--SIGNIFICANT ACCOUNTING POLICIES. (continued)

specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis.

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

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

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

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

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

During the fiscal year ended June 30, 2011, investments were limited to Money Market accounts. Investments are valued at cost which equals market value.

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

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

Prepaid Expenses. Payments made to vendors for services that will benefit periods beyond June 30, 2011 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

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

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

Atlanta Community Schools

NOTES TO FINANCIAL STATEMENTS

NOTE 1--SIGNIFICANT ACCOUNTING POLICIES. (continued)

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

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

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

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

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

The entire compensated absences liability is reported on the government-wide financial statements. For the governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported in the government fund financial statements.

State Categorical Revenue. The School District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

Atlanta Community Schools

NOTES TO FINANCIAL STATEMENTS

NOTE 1--SIGNIFICANT ACCOUNTING POLICIES. (continued)

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

Extraordinary and Special Items. Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

Economic Dependency. The School District received approximately 20% of their revenue from the Michigan Department of Education. Due to the significance of this revenue source to the School District, the School District is considered to be economically dependent.

Fund Equity. Beginning with fiscal year July 1, 2010, the School District implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- **Nonspendable fund balance**-amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
- **Restricted fund balance**-amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- **Committed fund balance**-amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint,
- **Assigned fund balance**-amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- **Unassigned fund balance**-amounts that are available for any purpose; positive amounts are reported only in the general fund.

The School District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the School District through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

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

Atlanta Community Schools

NOTES TO FINANCIAL STATEMENTS

NOTE 1--SIGNIFICANT ACCOUNTING POLICIES. (continued)

The School District has not established a policy for its use of unrestricted fund balance amounts. Therefore, in accordance with GASB Statement 54, committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

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

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

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

Reclassification. Certain items reported in the June 30, 2010 financial statements may have been reclassified to conform with the presentation for the current year.

NOTE 2--LEGAL COMPLIANCE.

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

The provisions of the Uniform Budgeting and Accounting Act, P.A. 621 became effective in July 1981. The Act provides major revenue categories and expenditure functions that constitute minimal levels. The Atlanta Community Schools' budget was legally enacted on a functional level. Detail at the activity level is presented in the General Fund for the benefit of management.

P.A. 621 provides that a school district shall not incur expenditures in excess of the amount appropriated. Violations, if any, are noted in the required supplementary information section (RSI).

Atlanta Community Schools

NOTES TO FINANCIAL STATEMENTS

NOTE 3--DEPOSITS AND INVESTMENTS.

As of June 30, 2011, the School District had the following deposits held with Alpena Alcona Area Credit Union as reported in the basic financial statements as follows:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and cash equivalents	\$ 538,975	\$ 54,776	\$ 593,751

As of June 30, 2011, the District had the following investments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Money Market Accounts	<u>\$ 331,226</u>	<u>0.00</u>
Total Fair Value	<u><u>\$ 331,226</u></u>	
Portfolio weighted average maturity		<u><u>0.00</u></u>

During the fiscal year ended June 30, 2011, investments were limited to money market accounts. Investments in money market accounts are valued at cost which equals market value and included in the financial statements as a cash equivalent.

Effective on December 31, 2010 and continuing through December 31, 2012, the Dodd-Frank Act provides unlimited FDIC insurance for noninterest-bearing transaction accounts in all banks. The unlimited coverage provided for in the Dodd-Frank Act for 2011 and 2012 includes only transaction accounts that pay no interest and does not include any interest bearing NOW accounts.

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

Credit Risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2011, the School District did not have any investments which have this type of risk.

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

Atlanta Community Schools

NOTES TO FINANCIAL STATEMENTS

NOTE 3--DEPOSITS AND INVESTMENTS. (continued)

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the School District’s deposits may not be returned to it. As of June 30, 2011, there was \$213,988 of the School District’s bank balance of \$593,751 that was exposed to custodial credit risk because it was uninsured and uncollateralized

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

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

The Board of Education authorized the following financial institutions for the investment of the District’s funds for the year ended June 30, 2011: Alpena Alcona Area Credit Union.

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

NOTE 4--CAPITAL ASSETS.

Capital assets activity for the fiscal year ended June 30, 2011 was as follows:

	<u>Balances</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Disposals</u> <u>And</u> <u>Adjustments</u>	<u>Balances</u> <u>June 30, 2011</u>
Capital assets not being depreciated:				
Land	\$ 1	\$ -	\$ -	\$ 1
Capital assets being depreciated:				
Buildings and improvements	10,708,724	-	-	10,708,724
Furniture, fixtures and Equipment	1,632,069	-	-	1,632,069
Vehicles and buses	78,913	145,770	17,404	207,279
	<u>12,419,706</u>	<u>145,770</u>	<u>17,404</u>	<u>12,548,072</u>

Atlanta Community Schools

NOTES TO FINANCIAL STATEMENTS

NOTE 4--CAPITAL ASSETS. (continued)

	Balances June 30, 2010	Additions	Disposals And Adjustments	Balances June 30, 2011
Buildings and improvements	\$ (3,133,476)	\$ (180,355)	\$ -	\$ (3,313,831)
Furniture, fixtures and equipment	(1,140,847)	(84,744)	-	(1,225,591)
Vehicles and buses	(78,913)	(20,824)	(17,404)	(82,333)
	<u>(4,353,236)</u>	<u>(285,923)</u>	<u>(17,404)</u>	<u>(4,621,755)</u>
Net capital assets – being depreciated	<u>\$ 8,066,470</u>	<u>\$ (140,153)</u>	<u>\$ -</u>	<u>\$ 7,926,317</u>
Governmental activities total capital assets – net of depreciation	<u>\$ 8,066,471</u>	<u>\$ (140,153)</u>	<u>\$ -</u>	<u>\$ 7,926,318</u>

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

NOTE 5--LONG-TERM DEBT (including current portions).

The following is a summary of governmental long-term obligations for the School District for the year ended June 30, 2011:

	Balances, July 1, 2010	Additions	(Deductions)	Balances, June 30, 2011	Due within one year
General Obligation Bonds:					
Durant School Improvement Bonds Dated 05/15/1999 Amount of issue - \$51,385 Maturing through 2013 Interest rate range - 4.76%-8.00% Principal maturity rate \$2,860 - \$18,059	\$ 24,485	\$ -	\$ (3,138)	\$ 21,347	\$ 3,288
2005 Refunding Bond Dated 11/01/05 Amount of issue - \$4,140,000 Maturing through 2019 Interest rate range - 3.00%-5.00% Principal maturity range \$15,749 - \$410,000	<u>3,660,000</u>	<u>-</u>	<u>(405,000)</u>	<u>3,255,000</u>	<u>405,000</u>
Total bond obligations	<u>3,684,485</u>	<u>-</u>	<u>(408,138)</u>	<u>3,276,347</u>	<u>408,288</u>

Atlanta Community Schools

NOTES TO FINANCIAL STATEMENTS

NOTE 5--LONG-TERM DEBT (including current portions). (continued)

	<u>Balances, July 1, 2010</u>	<u>Additions</u>	<u>(Deductions)</u>	<u>Balances, June 30, 2011</u>	<u>Due within one year</u>
Capital Leases:					
Hewlett-Packard Computer Lease Dated 11/30/06 Amount of issue - \$48,390 Maturing through 2011					
Interest rate - 6.00%	\$ 10,274	\$ -	\$ (10,274)	\$ -	\$ -
Hewlett-Packard Computer Lease Dated 11/30/06 Amount of issue - \$36,262 Maturing through 2011					
Interest rate - 6.00%	7,598	-	(7,598)	-	-
Hewlett-Packard Computer Lease Dated 11/30/06 Amount of issue - \$99,879 Maturing through 2011					
Interest rate - 6.00%	<u>20,913</u>	<u>-</u>	<u>(20,913)</u>	<u>-</u>	<u>-</u>
Total Capital Leases	<u>38,785</u>	<u>-</u>	<u>(38,785)</u>	<u>-</u>	<u>-</u>
Other long-term obligations:					
Compensated absences	37,513	-	(5,727)	31,786	-
Early retirement incentive	<u>106,000</u>	<u>-</u>	<u>(34,500)</u>	<u>71,500</u>	<u>19,500</u>
Total Other Long-term obligations	<u>143,573</u>	<u>-</u>	<u>(40,227)</u>	<u>103,286</u>	<u>19,500</u>
Total Long-Term Debt	<u>\$ 3,866,783</u>	<u>\$ -</u>	<u>\$ (487,150)</u>	<u>\$ 3,379,633</u>	<u>\$ 427,788</u>

The annual requirements to pay principal and interest on the obligations outstanding at June 30, 2011 are as follows:

<u>For the year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u>
2012	\$ 427,788	\$ 146,758	\$ 574,546
2013	442,551	136,422	578,981
2014	424,500	109,988	534,488
2015	418,000	89,737	507,737
2016	405,000	69,488	474,488
2017-2019	<u>1,230,000</u>	<u>104,550</u>	<u>1,334,550</u>
Grand Total	<u>\$ 3,347,847</u>	<u>\$ 656,943</u>	<u>\$ 4,004,790</u>

Atlanta Community Schools

NOTES TO FINANCIAL STATEMENTS

NOTE 5--LONG-TERM DEBT (including current portions). (continued)

The 1999 School Improvement Bonds (Durant Bonds), including interest, were issued in anticipation of payment to the District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

Defeasance of Debt. On May 19, 2005, the School District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for future debt service payments on the old bonds beginning in 2007 and ending 2019. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's financial statements. At June 30, 2011, \$3,255,000 of bonds outstanding was considered defeased.

Compensated Absences. The School District has contracted obligations to compensate eligible employees for absences from work for sick leave. Eligible employees are allowed to accumulate sick leave and the amounts so accumulated are payable at retirement or resignation subject to contractual limitations based on years of service. Union personnel may accumulate up to 180 days of sick leave of which \$20 per day is payable upon retirement. Non-union personnel also may accumulate up to 180 days sick leave with the rate of pay per day varying depending on their contract. The amount of accumulated sick and vacation pay liability for the School District was \$31,786 at June 30, 2011. The payment dates for accumulated sick and vacation pay are undeterminable.

Early Retirement Incentive Payable. The School District offers an early retirement incentive to certain teachers based on years of service and current wage scale payable over a five year period. The amount of retirement incentive liability for the School District at June 30, 2011 was \$71,500, of which \$19,500 was estimated as the current portion.

NOTE 6--SHORT-TERM DEBT.

The School District has various options for short-term financing including tax anticipation notes, state aid anticipation notes and lines of credit.

The School District did not enter into any short-term financing arrangements during the fiscal year ending June 30, 2011.

NOTE 7--OPERATING LEASE.

On February 24, 2009, the School District entered into a sixty month lease agreement with DeLage Landen Financial Services for rentals of three copy machines. The lease payments under the new operating lease are as follows:

2012	\$ 6,110
2013	6,110
2014	<u>4,075</u>
	<u>\$ 16,295</u>

Current year lease payments were \$6,110.

Atlanta Community Schools

NOTES TO FINANCIAL STATEMENTS

NOTE 8--RESTATEMENT OF GOVERNMENTAL FUND BALANCES.

With the implementation of GASB Statement No. 54, the School District can only report special revenue funds where the restricted or committed revenue sources comprise a substantial portion of the fund. As a result of this statement the Athletic Fund net assets and activity are now reported in the general fund.

The following discloses the restatement of governmental fund balances as of the beginning of the fiscal year:

	<u>General Fund</u>	<u>Athletic Fund</u>
Fund Balance, beginning of year, as previously stated	\$ 395,063	\$ 12,108
Restatement and transfer of Athletic activity to General Fund	<u>12,108</u>	<u>(12,108)</u>
Fund Balance, beginning of year, as restated	<u>\$ 407,171</u>	<u>\$ -</u>

NOTE 9--FUND BALANCE SPECIFIC PURPOSES at June 30, 2011:

	<u>General</u>	<u>Food Service</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Prepaid expenses	\$ 40,670	\$ 2,209	\$ 146,758	\$ 42,874
Restricted for:				
Debt service			201,527	201,527
Food service		11,677		11,677
Committed for:	-	-	-	-
Assigned for:	-	-		
Unassigned:				
Unassigned	<u>313,150</u>	<u>-</u>	<u>-</u>	<u>313,150</u>
	<u>\$ 353,820</u>	<u>\$ 13,881</u>	<u>\$ 201,527</u>	<u>\$ 569,228</u>

Atlanta Community Schools

NOTES TO FINANCIAL STATEMENTS

NOTE 10--PROPERTY TAXES.

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

This differs from the State Equalized Value (SEV) by limiting annual increases to a cost-of-living adjustment or 5 percent, whichever is less. The Taxable Value (TV) for the 2010-11 school year in the Atlanta Community Schools was established at \$63,814,253 for principal residence, qualified agricultural and qualified forest property and \$103,206,405 for non-homestead property.

The State of Michigan levies 6.0000 mills on all property with the proceeds dedicated to the Michigan State Aid Fund. A local operating millage of 18.0000 mills, approved by the voters of the district, and as adjusted by the provisions of the Headlee Amendment, is levied against non-homestead property. The District voters also approved an additional 3.7500 mills for debt extinguishment.

NOTE 11--SCHOOL FUNDING.

With the passage of Senate Bill 1 in August, 1993, and the subsequent approval of Proposal "A" by Michigan voters, the so-called Bursely funding formula was replaced by a system of base foundation grants per pupil in each local school district in Michigan. The basic foundation allowance is determined annually by the Legislature of the State of Michigan. The 2010-11 state aid foundation grant of \$7,316 per pupil was based on pupil membership counts taken in February and September of 2010 for the school year ending June 30, 2011. This amount was funded by the State of Michigan through State Aid Payments. Future adjustments to the base grant will be based on a revenue index, with districts below the statewide \$5,000 base amount receiving greater increases. Most categorical aid, including social security (FICA) and state retirement contributions, was rolled into the base foundation amount, except for special education, special education transportation, adult education, early childhood education and vocational education funding.

As part of Proposal "A", a two-cent increase in the state sales tax was approved along with several other smaller specific tax increases, while eliminating local school operating property taxes for homestead and qualified agricultural property owners. A 6-mill statewide education tax was imposed on all property, with an additional local property tax of 18 mills required on all non-homestead and non-qualified agricultural properties. The 6-mill education tax is not subject to further voter approval, but continuing authorization from local voters for the 18-mill local tax is required. The State of Michigan revenue is recognized during the foundation period and is funded through payments from October 2010 to August 2011. Thus, the unpaid portion at June 30th is reported as due from other governmental units. Further authorization was granted to local school districts to secure voter approval for up to 3 enhancement mills for up to three years, beginning with the 1994-95 school year. After the 1996-97 school year, any enhancement mills must be approved on an intermediate school district-wide basis.

Atlanta Community Schools

NOTES TO FINANCIAL STATEMENTS

NOTE 12--DEFINED BENEFIT PENSION PLAN AND POST-EMPLOYMENT BENEFITS.

Plan Description. The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The system provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at P.O. Box 30171, Lansing, MI 48909-7671 or by calling 800-381-5111.

Funding Policy. Employer contributions to the system result from the implementing effects of the School Finance Reform Act and the provisions of Public Act 300 of 1980, as amended. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 16.94 percent for the period from July 1, 2010 through September 30, 2010, and 19.41 percent from October 1, 2010 through October 31, 2010 and 20.66 percent from November 1, 2010 through June 30, 2011 of the covered payroll of the plan. The School District's contributions to the MPERS plan for the years ended June 30, 2011 and 2010 were \$250,928 and \$236,637, respectively. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3.9 percent to 6.4 percent of gross wages. For the years ended June 30, 2011 and 2010, Atlanta Community School employees contributed \$77,993 and \$47,878, respectively.

Postemployment Benefits. Under the MPERS Act, all retirees participating in the MPERS pension plan have the option of continuing health, dental, and vision coverages. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPERS plan discussed above.

Deferred Compensation Plans. The School District offers all its employees a deferred compensation plan created in accordance with the Internal Revenue Code (IRC), Section 457. The assets of the plans are held in trust, in a custodial account as described in IRC Section 457(g) for the exclusive benefits of the participants, holds the custodial account for the beneficiaries of the Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the School District for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the School District's financial statements.

The School District also offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code Section 403(b). The plan, available to all full-time employees, permits them to defer a portion of their salary until future years. Employees are eligible to voluntarily participate from the date of employment and are vested immediately upon participation. Employee contributions to the Section 403(b) plan totaled \$18,419 and \$16,636 for the years ended June 30, 2011 and 2010, respectively. The assets of the plan are administered and held by various approved third party financial institutions.

Atlanta Community Schools

NOTES TO FINANCIAL STATEMENTS

NOTE 13--INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS.

The composition of interfund balances at June 30, 2011 is as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Governmental Funds		
General Fund	\$ 1,449	\$ 434
Debt Retirement Fund	<u>434</u>	<u>1,449</u>
	<u>\$ 1,883</u>	<u>\$ 1,883</u>

Interfund balances represent routine and temporary cash flow assistance between the General Fund and Debt Retirement Fund.

	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ 10,575
Food Service Fund	<u>10,575</u>	<u>-</u>
	<u>\$ 10,575</u>	<u>\$ 10,575</u>

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

NOTE 14--UNEMPLOYMENT COMPENSATION.

The School District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the School District must reimburse the Employment Agency for all benefits charged against the School District. Accrued unemployment compensation was \$ 7,691 as of June 30, 2011.

NOTE 15--CONTINGENCIES, CLAIMS AND LITIGATION.

There are currently no known legal actions pending against the School District that would require recording a liability. It is the policy of Atlanta Community Schools to record a liability for any contingency, claim or lawsuit when the loss is probable and an amount can be reasonably estimated.

Atlanta Community Schools

NOTES TO FINANCIAL STATEMENTS

NOTE 16--RISK MANAGEMENT.

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

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

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

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

NOTE 17—SUBSEQUENT EVENTS.

Management has evaluated subsequent events through September 6, 2011, the date on which the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

Atlanta Community Schools

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

Year ended June 30, 2011

	Budget Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Local sources	\$ 1,880,500	\$ 1,931,730	\$ 1,947,854	\$ 16,124
State sources	708,400	592,700	588,442	(4,258)
Federal sources	322,569	394,546	386,217	(8,329)
Interdistrict sources	60,000	60,000	83,567	23,567
Extra-ordinary sources	-	14,500	13,555	(945)
Total revenues	<u>2,971,469</u>	<u>2,993,476</u>	<u>3,019,635</u>	<u>26,159</u>
EXPENDITURES				
Instruction	1,783,080	1,806,697	1,787,259	19,438
Supporting services	1,205,199	1,271,470	1,233,808	37,662
Debt service	41,350	41,350	41,344	6
Total expenditures	<u>3,029,629</u>	<u>3,119,517</u>	<u>3,062,411</u>	<u>57,106</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(58,160)</u>	<u>(126,041)</u>	<u>(42,776)</u>	<u>83,265</u>
OTHER FINANCING SOURCES (USES)				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	(15,000)	(10,575)	4,425
	<u>-</u>	<u>(15,000)</u>	<u>(10,575)</u>	<u>4,425</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(58,160)</u>	<u>(141,041)</u>	<u>(53,351)</u>	<u>87,690</u>
FUND BALANCES , beginning of the year	<u>395,063</u>	<u>407,171</u>	<u>407,171</u>	<u>-</u>
FUND BALANCES , end of the year	<u>\$ 336,903</u>	<u>\$ 266,130</u>	<u>\$ 353,820</u>	<u>\$ 87,690</u>

**OTHER SUPPLEMENTAL INFORMATION
AND INDIVIDUAL FUND STATEMENTS**

Atlanta Community Schools

COMBINING BALANCE SHEET - OTHER GOVERNMENTAL FUNDS

June 30, 2011

	<u>Special Revenue</u> Food Services Fund	<u>Debt Retirement</u> 1998 Durant Fund	Total Other Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 9,385	\$ -	\$ 9,385
Due from other governmental units	2,292	-	2,292
Prepaid expenses	2,204	-	2,204
Total assets	<u>\$ 13,881</u>	<u>\$ -</u>	<u>\$ 13,881</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances			
Nonspendable	2,204	-	2,204
Restricted	11,677	-	11,677
Unassigned	-	-	-
Total fund balances	<u>13,881</u>	<u>-</u>	<u>13,881</u>
Total liabilities and fund balances	<u>\$ 13,881</u>	<u>\$ -</u>	<u>\$ 13,881</u>

Atlanta Community Schools

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - OTHER GOVERNMENTAL FUNDS**

Year Ended June 30, 2011

	<u>Special Revenue</u> <u>Food Services</u> <u>Fund</u>	<u>Debt Retirement</u> <u>1998 Durant</u> <u>Fund</u>	<u>Total Other</u> <u>Governmental</u> <u>Funds</u>
REVENUES			
Local sources:			
Interest on investments	\$ 45	\$ -	\$ 45
Food sales	31,371	-	31,371
Miscellaneous local revenues	898	-	898
State sources	7,094	3,608	10,702
Federal sources	103,689	-	103,689
Total revenues	<u>143,097</u>	<u>3,608</u>	<u>146,705</u>
EXPENDITURES			
Current:			
Food services	156,716	-	156,716
Debt service:			
Principal retirement	-	3,138	3,138
Interest and fees	-	470	470
Total expenditures	<u>156,716</u>	<u>3,608</u>	<u>160,324</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(13,619)</u>	<u>-</u>	<u>(13,619)</u>
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	10,575	-	10,575
Transfers to other funds	-	-	-
	<u>10,575</u>	<u>-</u>	<u>10,575</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(3,044)</u>	<u>-</u>	<u>(3,044)</u>
FUND BALANCES , beginning of the year	<u>16,925</u>	<u>-</u>	<u>16,925</u>
FUND BALANCES , end of the year	<u>\$ 13,881</u>	<u>\$ -</u>	<u>\$ 13,881</u>

Atlanta Community Schools

**GENERAL FUND
BALANCE SHEET**

	June 30	
	2011	2010
ASSETS		
Cash and cash equivalents	\$ 293,876	\$ 419,782
Accounts receivable	2,685	1,263
Due from other funds	-	1,449
Due from other governmental units	257,946	220,768
Inventory	-	1,456
Prepaid expenses	40,670	42,407
Total assets	<u>\$ 595,177</u>	<u>\$ 687,125</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 28,299	\$ 88,446
Due to other funds	-	434
Payroll deductions and withholdings	36,491	29,427
Accrued expenditures	29,520	27,515
Salaries payable	129,251	124,875
Deferred revenue	17,796	9,257
Total liabilities	<u>241,357</u>	<u>279,954</u>
Fund Balances		
Nonspendable	40,670	43,863
Unassigned	313,150	363,308
Total fund balances	<u>353,820</u>	<u>407,171</u>
Total liabilities and fund balances	<u>\$ 595,177</u>	<u>\$ 687,125</u>

Atlanta Community Schools

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30,		
	2011 Final Budget	2011 Actual	2010 Actual
REVENUES			
LOCAL SOURCES			
Property tax levy	\$ 1,848,230	\$ 1,859,215	\$ 1,822,728
Penalties and interest on delinquent taxes	9,000	12,731	12,965
Revenue in lieu of taxes	9,000	8,209	9,628
Tuition	-	700	225
Transportation fees	5,000	14,981	5,932
Earnings on investments and deposits	10,000	5,337	11,316
Rents	4,500	6,000	4,424
Athletic revenues	30,000	21,204	95,822
Miscellaneous local revenues	16,000	19,477	19,043
Total local sources	<u>1,931,730</u>	<u>1,947,854</u>	<u>1,982,083</u>
STATE SOURCES			
State aid foundation allowance	394,400	376,236	605,524
Special education	62,300	84,519	62,370
At risk	102,000	93,687	118,984
Preschool program/early childhood education	34,000	34,000	40,800
Total state sources	<u>592,700</u>	<u>588,442</u>	<u>827,678</u>
FEDERAL SOURCES			
A.R.R.A. Educational Stabilization Funds	41,300	41,844	107,075
A.R.R.A. Title I, Part A	51,355	51,355	108,004
A.R.R.A. Title II, Part D	3,866	2,359	1,248
Title I, Part A	223,705	216,683	224,880
Title II, Part A	54,120	54,123	58,825
Education Jobs Fund	15,200	17,360	-
AMA-ESD Medicaid outreach claims	4,000	1,493	4,370
CMU Title II, Part A	1,000	1,000	3,900
Total federal sources	<u>394,546</u>	<u>386,217</u>	<u>508,302</u>
INTERDISTRICT SOURCES			
Special education tax	60,000	83,567	77,736
	<u>60,000</u>	<u>83,567</u>	<u>77,736</u>
EXTRA-ORDINARY SOURCES			
Insurance recoveries	4,000	3,024	6,501
Prior year adjustment	10,500	10,531	-
	<u>14,500</u>	<u>13,555</u>	<u>6,501</u>
Total revenues	<u>2,993,476</u>	<u>3,019,635</u>	<u>3,402,300</u>

Atlanta Community Schools

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30,		
	2011 Final Budget	2011 Actual	2010 Actual
EXPENDITURES			
INSTRUCTION			
BASIC PROGRAMS			
Elementary			
Salaries	\$ 270,000	\$ 273,531	\$ 288,453
Employee benefits	167,609	163,828	162,187
Purchased services	18,700	15,912	18,322
Supplies and materials	11,300	9,740	5,510
Capital Outlay	-	-	1,999
Other	-	754	718
	<u>467,609</u>	<u>463,765</u>	<u>477,189</u>
High School			
Salaries	401,500	401,227	460,116
Employee benefits	269,719	274,785	326,723
Purchased services	142,700	104,850	39,460
Supplies and materials	28,400	20,895	13,547
Capital Outlay	-	4,371	-
Other	-	31,331	1,307
	<u>842,319</u>	<u>837,459</u>	<u>841,153</u>
Preschool			
Purchased services	34,000	31,000	37,060
	<u>34,000</u>	<u>31,000</u>	<u>37,060</u>
Total basic programs	<u>1,343,928</u>	<u>1,332,224</u>	<u>1,355,402</u>
ADDED NEEDS			
Special Education			
Salaries	103,000	97,324	131,480
Employee benefits	61,098	55,865	86,585
Purchased services	3,000	2,282	3,088
Supplies and materials	1,500	1,934	1,026
	<u>168,598</u>	<u>157,405</u>	<u>222,179</u>
Compensatory Education			
Salaries	195,840	198,975	166,202
Employee benefits	98,331	97,094	66,127
Purchased services	-	1,561	20,074
	<u>294,171</u>	<u>297,630</u>	<u>252,403</u>

Atlanta Community Schools

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30,		
	2011 Final Budget	2011 Actual	2010 Actual
EXPENDITURES (Continued)			
Alternative Education			
Employee benefits	\$ -	\$ -	\$ 7,964
	<u>-</u>	<u>-</u>	<u>7,964</u>
Total added needs	<u>462,769</u>	<u>455,035</u>	<u>482,546</u>
Total instruction	<u>1,806,697</u>	<u>1,787,259</u>	<u>1,837,948</u>
SUPPORTING SERVICES			
PUPIL SERVICES			
Truancy Officer			
Purchased services	4,500	4,000	4,000
	<u>4,500</u>	<u>4,000</u>	<u>4,000</u>
Guidance Services			
Employee benefits	500	-	-
Other	20,260	17,360	-
	<u>20,760</u>	<u>17,360</u>	<u>-</u>
Health Services			
Purchased services	9,200	6,578	9,000
Supplies and materials	-	-	48
	<u>9,200</u>	<u>6,578</u>	<u>9,048</u>
Social Work Services			
Purchased services	21,200	20,880	20,000
	<u>21,200</u>	<u>20,880</u>	<u>20,000</u>
Total pupil services	<u>55,660</u>	<u>48,818</u>	<u>33,048</u>
Instructional Staff			
Salaries	1,500	1,500	19,740
Employee benefits	435	425	4,775
Purchased services	3,600	2,468	53,338
Supplies and materials	925	644	16,472
	<u>6,460</u>	<u>5,037</u>	<u>94,325</u>
Total instructional staff	<u>6,460</u>	<u>5,037</u>	<u>94,325</u>

Atlanta Community Schools

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30,		
	2011 Final Budget	2011 Actual	2010 Actual
EXPENDITURES (Continued)			
GENERAL ADMINISTRATION			
Board of Education			
Salaries	\$ 3,000	\$ 2,950	\$ 2,950
Employee benefits	230	226	226
Purchased services	20,500	17,889	28,145
Other	1,600	2,681	1,234
	<u>25,330</u>	<u>23,746</u>	<u>32,555</u>
Executive Administration			
Salaries	81,275	81,275	81,275
Employee benefits	43,560	42,751	37,832
Purchased services	7,000	902	-
Other	1,700	75	900
	<u>133,535</u>	<u>125,003</u>	<u>120,007</u>
Total general administration	<u>158,865</u>	<u>148,749</u>	<u>152,562</u>
SCHOOL ADMINISTRATION			
Office of the Principal			
Salaries	54,000	50,875	51,962
Employee benefits	60,355	58,973	50,681
Purchased services	10,500	7,134	8,148
Supplies and materials	5,000	4,845	5,867
	<u>129,855</u>	<u>121,827</u>	<u>116,658</u>
Total school administration	<u>129,855</u>	<u>121,827</u>	<u>116,658</u>
BUSINESS SERVICES			
Fiscal Services			
Salaries	64,200	64,448	63,549
Employee benefits	55,936	55,288	50,704
Purchased services	49,000	41,696	42,947
Supplies and materials	3,500	2,459	2,404
	<u>172,636</u>	<u>163,891</u>	<u>159,604</u>
Other Business Services			
Purchased services	3,000	2,253	2,978
Other	15,000	12,416	11,365
	<u>18,000</u>	<u>14,669</u>	<u>14,343</u>
Total business services	<u>190,636</u>	<u>178,560</u>	<u>173,947</u>

Atlanta Community Schools

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30,		
	2011 Final Budget	2011 Actual	2010 Actual
EXPENDITURES (Continued)			
OPERATIONS AND MAINTENANCE			
Operating Buildings Services			
Salaries	\$ 6,000	\$ 6,030	\$ 5,576
Employee benefits	4,945	4,898	4,141
Purchased services	195,500	188,666	210,748
Supplies and materials	123,800	126,917	121,818
Total operations and maintenance	330,245	326,511	342,283
TRANSPORTATION SERVICES			
Transportation Services			
Salaries	93,800	80,228	83,553
Employee benefits	67,999	63,370	54,425
Purchased services	17,500	20,806	49,589
Supplies and materials	34,750	37,423	39,637
Capital Outlay	145,000	149,549	60,913
Other	-	161	180
Total transportation services	359,049	351,537	288,297
CENTRAL SERVICES			
Staff/Personnel Services			
Purchased services	200	-	1,212
Non-Instructional Technology Services			
Purchased services	40,500	40,060	30,078
Total central services	40,700	40,060	31,290
SUPPORT SERVICES - OTHER			
Athletic services	-	11,709	88,254
Student agency services	-	1,000	-
Total support services - other	-	12,709	88,254
Total supporting services	1,271,470	1,233,808	1,320,664
DEBT SERVICE			
Principal retirement	38,800	38,785	129,903
Interest and fees	2,550	2,559	11,751
Total debt service	41,350	41,344	141,654
Total expenditures	3,119,517	3,062,411	3,300,266

Atlanta Community Schools

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES**

	Year Ended June 30,		
	2011 Final Budget	2011 Actual	2010 Actual
OTHER FINANCING SOURCES (USES)			
Transfers from other funds	\$ -	\$ -	\$ -
Transfers out to other funds	(15,000)	(10,575)	(80,190)
	<u>(15,000)</u>	<u>(10,575)</u>	<u>(80,190)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(141,041)	(53,351)	21,844
FUND BALANCES, beginning of the year	<u>407,171</u>	<u>407,171</u>	<u>385,327</u>
FUND BALANCES, end of the year	<u>\$ 266,130</u>	<u>\$ 353,820</u>	<u>\$ 407,171</u>

Atlanta Community Schools

AGENCY FUND - STUDENT ACTIVITIES
STATEMENT OF RECEIPTS AND DISBURSEMENTS

Year Ended June 30, 2011

	July 1, 2010	Receipts & Transfers	Disbursements & Transfers	June 30, 2011
Baseball - Donations	\$ 61	\$ 647	\$ 236	\$ 472
Basketball Boys JV/Varsity	627	934	100	1,461
Basketball Boys Jr High	151	1	-	152
Basketball Girls Junior High	631	304	139	796
Basketball Girls JV/Varsity	880	2,862	1,007	2,735
Basketball Camp	338	2	-	340
Book Fair	3,430	22	-	3,452
Broadcasting Activities	9	-	-	9
Canada Creek Scholarship	837	5,175	6,000	12
Cheerleading	284	446	500	230
Choir	(32)	-	-	(32)
Class of 2010	377	2	-	379
Class of 2011	3,484	8,782	12,105	161
Class of 2012	1,352	1,419	2,582	189
Class of 2013	3,327	1,549	420	4,456
Class of 2014	2,066	1,051	-	3,117
Class of 2015	446	1,205	-	1,651
Class of 2016	-	312	-	312
Football Fundraising	-	1,283	998	285
Friends of Rachel	383	3	-	386
Homecoming	201	1	-	202
Interest	-	345	345	-
Library	200	14	64	150
Music	8,259	1,418	1,201	8,476
National Honor Society	328	659	307	680
Ski Club	11,006	822	1,518	10,310
Scholarship-Dan Baum	6,485	36	800	5,721
Science Camp	450	11,562	8,784	3,228
Softball Donations	60	565	298	327
Special Projects	1,266	1,072	282	2,056
Student Council Elementary	1,604	-	1,604	-
Student Council High School	572	3	159	416
Volleyball	708	103	280	531
Wood Shop	107	307	132	282
Yearbook	811	430	-	1,241
Totals	<u>\$ 50,708</u>	<u>\$ 43,336</u>	<u>\$ 39,861</u>	<u>\$ 54,182</u>

Atlanta Community Schools

SCHEDULE OF INDEBTEDNESS

June 30, 2011

	<u>Interest</u>	<u>FY of Maturity</u>	<u>Principal Payable</u>	<u>Annual Interest Payable</u>
<u>GENERAL OBLIGATION BONDS</u>				
1998 School Improvement Bonds	4.76%	2012	\$ 3,288	\$ 320
Date of issue: November 24, 1998	4.76%	2013	<u>18,059</u>	<u>6,185</u>
Amount of issue: \$51,385			<u>21,347</u>	<u>6,505</u>
2005 School Refunding Bonds	4.00%	2012	405,000	146,438
Date of issue: May 19, 2005	5.00%	2013	405,000	130,237
Amount of issue: \$4,140,000	5.00%	2014	405,000	109,988
	5.00%	2015	405,000	89,737
	4.25%	2016	405,000	69,488
	4.25%	2017	410,000	52,275
	4.25%	2018	410,000	34,850
	4.25%	2019	410,000	17,425
			<u>3,255,000</u>	<u>650,438</u>
			<u>3,276,347</u>	<u>656,943</u>
<u>OTHER LONG-TERM OBLIGATIONS</u>				
Compensated Absences			31,786	-
Early Retirement Incentive Payable			<u>71,500</u>	<u>-</u>
			<u>103,286</u>	<u>-</u>
			<u>\$ 3,379,633</u>	<u>\$ 656,943</u>



Certified Public Accountants

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TAX, AUDIT AND BUSINESS CONSULTANTS

RETIRED
GORDON A. NETHERCUT, C.P.A.

To the Board of Education
Atlanta Community Schools
Atlanta, Michigan

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.

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Atlanta Community Schools, Atlanta Michigan**, as of and for the year ended June 30, 2011, which collectively comprise the **Atlanta Community Schools, Atlanta Michigan's** basic financial statements and have issued our report thereon dated September 6, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Atlanta Community School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the **Atlanta Community School's** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the **Atlanta Community School's** internal control over financial reporting.

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 misstatements on a timely basis. A material weakness is a deficiency, or 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 or corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the **Atlanta Community School's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which

could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of **Atlanta Community Schools, Atlanta, Michigan**, in a separate letter dated September 6, 2011.

This report is intended solely for the information and use of management, the Board of Education, others within the district, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Straley, Isley & Lamp P.C.

September 6, 2011