



Stephenson Gracik & Co., P.C.

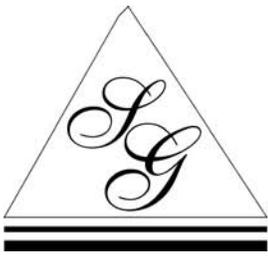
Certified Public Accountants & Consultants

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ATLANTA COMMUNITY SCHOOLS
MONTMORENCY COUNTY, MICHIGAN

AUDITORS' REPORT
YEAR ENDED JUNE 30, 2007



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September 05, 2007

Independent Auditors' Report

Board of Education
Atlanta Community Schools
Montmorency County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Atlanta Community Schools, Montmorency County, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the School District's basic financial statements, as listed in the index. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 the 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 in the first paragraph 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, 2007, and the respective changes in financial position 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 05, 2007, on our consideration of Atlanta Community Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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.

The management's discussion and analysis and budgetary comparison information 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.

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

Stephenson, Gracik & Co., P.C.

Atlanta Community Schools

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As management of the Atlanta Community Schools, (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2007.

The management's discussion and analysis is provided at the beginning of the audit to provide in layman's terms the past and current position of the School District's financial condition. This summary should not be taken as a replacement for the audit which consists of the financial statements and other supplemental information that presents all the District's revenues and expenditures by program for Instruction, Support Services, Food Service and Athletics.

FINANCIAL HIGHLIGHTS

Our financial statements provide these insights into the results of this year's operations.

The overall condition of all funds and governmental activities is guarded for the District. The general fund balance at June 30, 2007 of \$179,502 represents approximately 19 days of budgeted expenditures for the fiscal year ended June 30, 2008. However, a balanced budget has been adopted for the 2007-2008 fiscal year which will be closely monitored during the upcoming school year.

The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$3,907,202 (net assets). Of this amount, \$10,592 represents unrestricted net assets.

The District's total net assets increased by \$183,930. This represents the degree to which increases in ongoing revenues have surpassed similar increases in ongoing expenses.

As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$269,697, a decrease of \$18,442 in comparison with the prior year. Of this amount \$160,529 is available for spending at the District's discretion (unreserved fund balance). This represents 3.3% of the total expenditures of these funds.

One significant item for Atlanta Schools was the ability to cover all costs of the District without having to borrow money through a tax anticipation note in 2007. Collection of school taxes on the summer tax roll allowed Atlanta Community Schools to achieve this goal.

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the Atlanta Community Schools basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Atlanta Community School District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include instruction, supporting services, food service and athletics. The District does not currently have any business-type activities.

The government-wide financial statements can be found in the Statement of Net Assets and the Statement of Activities in this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of these funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The District does not currently have any proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of *spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures and changes in fund balances for the General Fund and 1999 Debt Retirement Fund which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* presented in the Combining Balance Sheet – Other Governmental Funds and the Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Other Governmental Funds.

The District adopts annual appropriated budgets for its governmental funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with budgets.

The basic governmental fund financial statements can be found in the Balance Sheet – Governmental Funds and the Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds in this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found in the Statement of Fiduciary Assets and Liabilities – Fiduciary Fund in this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in Notes to Financial Statements in this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning budgetary information for the District's major funds. Required supplementary information can be found in the Statement of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund in this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found in the Combining Balance Sheet – Other Governmental Funds and the Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Other Governmental Funds in this report.

Our auditors have provided assurance in their independent auditors' report, located immediately preceding this Management's Discussion and Analysis, that the Basic Financial Statements are fairly stated. Varying degrees of assurance are being provided by the auditors regarding the Required Supplementary Information and the Additional Information identified above. A user of this report should read the independent auditors' report carefully to ascertain the level of assurance being provided for each of the parts in the Financial Section.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District's net assets were \$3,907,202 at June 30, 2007. Of this amount, \$10,592 was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the District's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table 1) and the change in net assets (Table 2) of the District's governmental activities.

TABLE 1
NET ASSETS JUNE 30,

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Current Assets	\$ 579,997	\$ 599,182
Capital Assets	<u>8,924,797</u>	<u>9,113,695</u>
Total Assets	<u>9,504,794</u>	<u>9,712,877</u>
Current Liabilities	793,060	751,929
Noncurrent Liabilities	<u>4,804,532</u>	<u>5,237,676</u>
Total Liabilities	<u>5,597,592</u>	<u>5,989,605</u>

	<u>2007</u>	<u>2006</u>
<u>Net Assets</u>		
Invested in Capital Assets – Net of Debt	\$ 3,787,442	\$ 3,635,206
Restricted	109,168	73,609
Unrestricted	<u>10,592</u>	<u>14,457</u>
Total Net Assets	<u>\$ 3,907,202</u>	<u>\$ 3,723,272</u>

The \$10,592 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. It means that if we had to pay off all our bills today, including all of our noncapital liabilities (compensated absences for example), we would have \$10,592 left.

TABLE 2
CHANGES IN NET ASSETS
YEAR ENDED JUNE 30,

	<u>Governmental Activities</u>	
	<u>2007</u>	<u>2006</u>
Revenues:		
Program Revenues:		
Charges for Services	\$ 98,522	\$ 96,005
Operating Grants and Contributions	1,920,844	2,007,185
General Revenues:		
Current Property Taxes	2,438,197	2,354,999
Payments in Lieu of Taxes	14,749	0
Investment Earnings	30,239	26,771
Miscellaneous	51,862	66,896
Gain (Loss) on Sale of Fixed Assets	<u>27,369</u>	<u>(18,143)</u>
Total Revenues	<u>4,581,782</u>	<u>4,533,713</u>
Functions/Program Expenses:		
Instruction	2,149,528	2,200,842
Support Services	1,453,216	1,310,108
Food Services	149,753	146,976
Athletics	99,570	84,859
Interest on Long-Term Debt	248,497	295,279
Amortization of Deferred Bond Costs and Bond Premiums (Net)	30,733	0
Unallocated Depreciation	<u>266,555</u>	<u>295,248</u>
Total Functions/Program Expenses	<u>4,397,852</u>	<u>4,333,312</u>
Change in Net Assets	183,930	200,401
Beginning Net Assets	<u>3,723,272</u>	<u>3,522,871</u>
Ending Net Assets	<u>\$ 3,907,202</u>	<u>\$ 3,723,272</u>

Governmental activities increased the District's net assets by approximately \$184,000.

As reported in our Statement of Activities, the cost of all of our governmental activities this year was \$4,397,852. However, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$2.4 million because some of the cost was paid by those who benefited from the programs (\$98,500), by other governments and organizations who subsidized certain programs with grants and contributions (\$1.9 million), and by miscellaneous sources (\$124,000).

MAJOR GOVERNMENTAL FUNDS BUDGETING AND OPERATING HIGHLIGHTS

The District's budgets are prepared according to Michigan law. The most significant budgeted fund is the General Fund.

During the fiscal year ended June 30, 2007, the District amended the budgets of this major governmental fund a few times, none significantly.

General Fund

The general fund actual revenue was \$3,661,925. That amount is above the original budget estimates of \$3,343,511 and the final amended budget of \$3,615,943. The variance between the actual revenue and the final budget was the result of increased local revenue.

The actual expenditures of the general fund were \$3,929,063, which is above the original budget estimates of \$3,222,210 and the final amended budget of \$3,647,472. The variance between the actual expenditures, the original budget, and final budget was due to increased salary and employee benefits in support services and increased capital outlay. These items were not included in the original budget as they were unknown at the time it was prepared. The original budget was created based on prior year expenses.

The General Fund had total revenues of \$3,661,925, and total expenditures of \$3,929,063, with an ending fund balance of \$179,502.

TOTAL REVENUES

The total revenues of the District were \$4,554,411. Of the total revenues, 100% were generated by governmental activities.

Program specific revenues in the form of charges for services, grants and contributions accounted for \$2,019,366 or 44% of total revenues of \$4,554,411.

GOVERNMENTAL FUND EXPENDITURES

Total governmental fund expenditures amounted to \$4,833,656. The governmental funds had a net loss in fund balance of \$18,442. The ending fund balance for all governmental funds was \$269,697 which represents 5.6% of current year expenditures. This fund balance will be used for 2007-2008 operations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2007, the District had \$12,441,908 invested in land and buildings, furniture and equipment, and vehicles and buses. Of this amount, \$3,517,111 in depreciation has been taken over the years. We currently have a net book value of \$8,924,797. Additions to the current year included a Kubota tractor and Hewlett Packard computers.

Long-Term Debt

At June 30, 2007, the District had \$5 million in bonds outstanding of which 100% represents general obligation bonds of the District. The District also had \$12,901 outstanding on a USDA loan, \$15,623 outstanding on equipment loans, \$117,825 outstanding on a building improvement lease, and \$142,845 outstanding on computer leases.

State statutes limit the amount of general obligation debt that a School District may issue. The current debt limitation for the District is significantly greater than the outstanding debt of the District.

Additional information on the District's long-term debt can be found in Note 7 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The economy in the State of Michigan is slowing significantly. The current State of Michigan revenue estimates project 2007-2008 funding to be equal to 2006-2007 funding. These factors were considered in preparing the Atlanta Community Schools' budgets for the 2007-2008 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Atlanta Community Schools' finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Superintendent
Atlanta Community Schools
10500 County Road 489
P.O. Box 619
Atlanta, MI 48709
Office Telephone (989) 785-4877

ATLANTA COMMUNITY SCHOOLS
Montmorency County, Michigan

STATEMENT OF NET ASSETS
June 30, 2007

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and Cash Equivalents (Note 2)	\$ 154,004
Receivables:	
Accounts	17,787
State of Michigan (Note 3)	290,119
Local Units	8,667
Inventory: (Note 1)	
Supplies	1,771
Prepaid Expenses	16,593
Bond Issuance Costs - Net (Note 1)	91,056
Noncurrent Assets:	
Capital Assets, Net (Note 5)	<u>8,924,797</u>
 Total Assets	 <u>9,504,794</u>
 <u>Liabilities</u>	
Due to Fiduciary Fund	14,042
Interest Payable	36,982
Accrued Expenses	109,742
Salaries Payable	95,460
Long-Term Liabilities: (Note 7)	
Due within one year	536,834
Due in more than one year	<u>4,804,532</u>
 Total Liabilities	 <u>5,597,592</u>
 <u>Net Assets</u>	
Invested in Capital Assets, Net of Related Debt	3,787,442
Restricted For:	
Food services	1,776
Debt retirement	107,392
Unrestricted	<u>10,592</u>
 Total Net Assets	 <u>\$ 3,907,202</u>

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

ATLANTA COMMUNITY SCHOOLS
Montmorency County, Michigan

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007

	Program Revenues		Net (Expenses) Revenue and Change in Net Assets	
Expenses	Charges for Services	Operating Grants and Contributions	Government Type Activities	
Instruction	\$ 2,149,528	\$ 0	\$ 1,359,849	\$ (789,679)
Support Services	1,453,216	8,012	450,517	(994,687)
Food Services	149,753	51,654	110,435	12,336
Athletics	99,570	38,856	43	(60,671)
Interest on Long-Term Debt	248,497	0	0	(248,497)
Amortization of Deferred Bond Costs and Bond Premiums (Net)	30,733	0	0	(30,733)
Unallocated Depreciation	<u>266,555</u>	<u>0</u>	<u>0</u>	<u>(266,555)</u>
Total	<u>\$ 4,397,852</u>	<u>\$ 98,522</u>	<u>\$ 1,920,844</u>	<u>(2,378,486)</u>
General Purpose Revenue:				
Current Property Taxes			2,438,197	
Payments in Lieu of Taxes			14,749	
Investment Earnings			30,239	
Miscellaneous			51,862	
Gain on Sale of Fixed Assets			<u>27,369</u>	
Total General Purpose Revenue			<u>2,562,416</u>	
Change in net assets			183,930	
Net assets - beginning			<u>3,723,272</u>	
Net assets - ending			<u>\$ 3,907,202</u>	

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

ATLANTA COMMUNITY SCHOOLS
Montmorency County, Michigan

BALANCE SHEET
 GOVERNMENTAL FUNDS
June 30, 2007

<u>ASSETS</u>	<u>General Fund</u>	<u>1999 Debt Retirement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash and Cash Equivalents (Note 2)	\$ 50,810	\$ 98,725	\$ 4,469	\$ 154,004
Receivables:				
Accounts	16,501	0	1,286	17,787
State of Michigan (Note 3)	290,119	0	0	290,119
Local Units	0	8,667	0	8,667
Due from Other Funds (Note 4)	24,723	0	0	24,723
Inventory: (Note 1)				
Supplies	0	0	1,771	1,771
Prepaid Expenses	<u>16,593</u>	<u>0</u>	<u>0</u>	<u>16,593</u>
 Total Assets	 <u>\$ 398,746</u>	 <u>\$ 107,392</u>	 <u>\$ 7,526</u>	 <u>\$ 513,664</u>
 <u>LIABILITIES AND FUND EQUITY</u>				
<u>Liabilities</u>				
Due to Other Funds (Note 4)	\$ 14,042	\$ 0	\$ 24,723	\$ 38,765
Accrued Expenditures	109,742	0	0	109,742
Salaries Payable	<u>95,460</u>	<u>0</u>	<u>0</u>	<u>95,460</u>
Total Liabilities	<u>219,244</u>	<u>0</u>	<u>24,723</u>	<u>243,967</u>
 <u>Fund Equity</u>				
Fund Balance (Deficit):				
Reserved:				
Food Service	0	0	1,776	1,776
Debt Service	0	107,392	0	107,392
Unreserved, Reported In:				
General Fund	179,502	0	0	179,502
Special Revenue Funds	<u>0</u>	<u>0</u>	<u>(18,973)</u>	<u>(18,973)</u>
Total Fund Equity	<u>179,502</u>	<u>107,392</u>	<u>(17,197)</u>	<u>269,697</u>
 Total Liabilities and Fund Equity	 <u>\$ 398,746</u>	 <u>\$ 107,392</u>	 <u>\$ 7,526</u>	 <u>\$ 513,664</u>

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

ATLANTA COMMUNITY SCHOOLS
Montmorency County, Michigan

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
June 30, 2007

Total governmental fund balances:		\$	269,697
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. Capital assets at the year end consist of:			
Capital Asset Cost		\$	12,441,908
Capital Asset Accumulated Depreciation			<u>(3,517,111)</u>
			8,924,797
Accrued interest on long-term liabilities			(36,982)
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)			(4,811,179)
Compensated Absences Payable			(38,937)
Loans Payable			(28,524)
Capital Leases Payable			(260,670)
Retirement Incentive Liabilities			<u>(111,000)</u>
Total long-term liabilities			<u>(5,250,310)</u>
Total net assets - governmental activities		\$	<u><u>3,907,202</u></u>

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

ATLANTA COMMUNITY SCHOOLS
Montmorency County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	<u>General Fund</u>	<u>1999 Debt Retirement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenue				
Local Sources:				
Current Property Taxes	\$ 1,776,295	\$ 676,651	\$ 0	\$ 2,452,946
Food Sales	0	0	40,979	40,979
Gate Receipts	0	0	19,765	19,765
Interest on Investments	15,392	14,100	747	30,239
Rents	2,544	0	0	2,544
Contributions	0	0	43	43
Other Local Sources	167,910	0	19,091	187,001
State Sources	1,435,486	0	10,675	1,446,161
Federal Sources	264,298	0	110,435	374,733
Total revenue	<u>3,661,925</u>	<u>690,751</u>	<u>201,735</u>	<u>4,554,411</u>
Expenditures				
Current:				
Instruction	2,201,422	0	0	2,201,422
Support Services	1,451,456	0	0	1,451,456
Food Services	0	0	149,753	149,753
Athletics	0	0	99,570	99,570
Capital Outlay	200,146	0	0	200,146
Debt Service:				
Principal Retirement	68,313	400,000	15,000	483,313
Interest and Fees on Long-Term Debt	7,726	63,196	177,074	247,996
Total expenditures	<u>3,929,063</u>	<u>463,196</u>	<u>441,397</u>	<u>4,833,656</u>
Excess of revenue over (under) expenditures	<u>(267,138)</u>	<u>227,555</u>	<u>(239,662)</u>	<u>(279,245)</u>
Other Financing Sources (Uses)				
Loan Proceeds	11,515	0	0	11,515
Capital Lease Proceeds	184,631	0	0	184,631
Sale of Capital Assets	64,657	0	0	64,657
Operating Transfers In	11,312	5	227,257	238,574
Operating Transfers Out	(40,005)	(187,257)	(11,312)	(238,574)
Total other financing sources (uses)	<u>232,110</u>	<u>(187,252)</u>	<u>215,945</u>	<u>260,803</u>
Excess of revenue and other sources over (under) expenditures and other uses	<u>(35,028)</u>	<u>40,303</u>	<u>(23,717)</u>	<u>(18,442)</u>
Fund balances - beginning of year	<u>214,530</u>	<u>67,089</u>	<u>6,520</u>	<u>288,139</u>
Fund balance (deficit) - end of year	<u>\$ 179,502</u>	<u>\$ 107,392</u>	<u>\$ (17,197)</u>	<u>\$ 269,697</u>

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

ATLANTA COMMUNITY SCHOOLS
Montmorency County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007

Total net change in fund balances - governmental funds \$ (18,442)

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.

Current year depreciation expense	\$ (266,555)	
Capital outlays reported in the governmental funds	200,146	
Gain (loss) on disposal of capital assets	27,369	
Proceeds from the sale of capital assets	<u>(64,657)</u>	
		(103,697)

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	415,000	
Loans Payable	15,068	
Capital Leases Payable	<u>53,245</u>	
		483,313

Proceeds from debt are a revenue in the governmental funds, but the proceeds increase long-term liabilities in the statement of net assets. Also, governmental funds report the effect of issuance costs and premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of general obligation bonds and related items is as follows:

Loan Proceeds	(11,515)	
Capital Lease Proceeds	(184,631)	
Amortization of Deferred Bond Costs and Bond Premiums (Net)	<u>(30,732)</u>	
		(226,878)

Net change in accrued interest payable:

Accrued interest on long-term liabilities June 30, 2006	36,480	
Accrued interest on long-term liabilities June 30, 2007	<u>(36,982)</u>	
		(502)

Net change in accrued compensated absences:

Accrued compensated absences June 30, 2006	35,573	
Accrued compensated absences June 30, 2007	<u>(38,937)</u>	
		(3,364)

Net change in early retirement incentives:

Early retirement incentives June 30, 2006	164,500	
Early retirement incentives June 30, 2007	<u>(111,000)</u>	
		<u>53,500</u>

Change in net assets of governmental activities \$ 183,930

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

ATLANTA COMMUNITY SCHOOLS
Montmorency County, Michigan

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
June 30, 2007

	<u>Student Activity</u>
<u>ASSETS</u>	
Cash and Cash Equivalents (Note 2)	\$ 39,093
Due from Other Funds (Note 4)	<u>14,042</u>
Total Assets	<u>\$ 53,135</u>
<u>LIABILITIES</u>	
Due to Student Groups	<u>\$ 53,135</u>

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

ATLANTA COMMUNITY SCHOOLS
Montmorency County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Atlanta Community Schools (School District) conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governments. The School District is considered to be a local government unit. The following is a summary of the significant accounting policies:

A. Reporting Entity

The School District operates under an elected School Board (seven members) and provides services to students in grades K-12. The board is responsible for adopting and amending budgets and for administering the school programs in accordance with governing laws.

The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America 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 School District's reporting entity applies all relevant GASB pronouncements for determining the various governmental organizations to be included in the reporting entity. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. Atlanta Community Schools' Board of Education (Board) is the primary government which has oversight responsibility and control over all activities related to public school education in the area served by the Atlanta Community Schools. The Board receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. As such, the Board is not included in any other governmental "reporting entity" as defined in GASB pronouncements since the Board members are a publicly elected governing body that has separate legal standing and is fiscally independent of other governmental entities.

B. 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 - The General Fund is the general operating fund of the School District. It is used to account for all financial resources except those required to be accounted for in another fund.

1999 Refunding Bond Debt Retirement Fund – The Fund is used to account for the accumulated resources for, and the payment of, general long-term principal, interest, and related costs.

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 payment of debt.

ATLANTA COMMUNITY SCHOOLS
Montmorency County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Fund Accounting (Continued)

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The School District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amounts held for student and employee groups.

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 statements distinguish between those activities of the School District that are governmental and those that are considered business-type activities. The School District does not currently have any business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

Net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other purposes result from special revenue funds and the restrictions on their net asset use. Restricted assets are used first to fund appropriations before unrestricted assets are used.

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

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. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

ATLANTA COMMUNITY SCHOOLS
Montmorency County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Presentation (Continued)

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using the modified accrual basis of accounting and the 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 revenue, 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.

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. Fiduciary funds 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 60 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 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 they 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.

ATLANTA COMMUNITY SCHOOLS
Montmorency County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Accounting (Continued)

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.

E. Cash and Cash Equivalents

For presentation on the financial statements, investments in the cash management pools and investments with an original maturity of three months or less at the time they are purchased by the School District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

F. Due From State of Michigan

This represents amounts receivable from the State of Michigan for federal and state reimbursable programs.

G. Prepaid Items

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both the government-wide and fund financial statements.

H. Inventory – Supplies

Inventory on government-wide financial statements is stated at cost and expensed when used.

Inventory in governmental funds consists of expendable supplies held for consumption. Inventory is stated at cost and recorded as an expenditure in the governmental fund types when purchased.

I. Bond Issuance Costs

On the government-wide financial statements, bond issuance costs are deferred and amortized over the term of the bonds using the straight-line method since the results are not significantly different from the effective interest method. In the governmental funds, these costs are reported as expenditures when the related liability is incurred.

J. 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.

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.

ATLANTA COMMUNITY SCHOOLS
Montmorency County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Capital Assets (Continued)

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>Descriptions</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 - 50 years
Furniture, Fixtures and Equipment	5 - 20 years
Vehicles and Buses	8 years

K. Interfund Balances

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

L. 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 as a liability in the fund financial statements at the time they are incurred, to the extent that they will be paid from current, expendable, financial resources. In general, payments made within 60 days after year end are considered to have been made with current available financial resources. However, bonds and other long-term obligations, compensated absences, claims and judgments, contractually required pension contributions and special termination benefits that will be paid from governmental funds are recognized as a liability in the fund financial statements when they become due for payment.

M. 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 governmental fund financial statements.

N. 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.

ATLANTA COMMUNITY SCHOOLS
Montmorency County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Property Taxes

The School District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the School District through February. The delinquent real property taxes of the School District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The County sells tax notes, the proceeds of which have been used to pay the School District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

P. Foundation Revenue

The State of Michigan has adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the School District. For the year ended June 30, 2007, the foundation allowance was based on the average of pupil membership counts taken in February and September of 2006.

The state portion of the foundation allowance is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through 11 payments from October, 2006 - August, 2007. The local revenue is recognized as outlined in Note 1 Accounting for Property Taxes.

Q. 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.

R. 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.

S. 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. Neither type of transaction occurred during the fiscal year ended June 30, 2007.

T. Economic Dependency

The School District received approximately 40% 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.

ATLANTA COMMUNITY SCHOOLS
Montmorency County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

V. Budgetary Policies and Data

The State of Michigan adopted a Uniform Budgeting and Accounting Act (Act) applicable to all local governmental entities in the state. The law requires appropriation acts to be adopted for General and Special Revenue Funds and an informational study for Capital Project Funds of school districts prior to the expenditure of monies in a fiscal year in accordance with GAAP.

Atlanta Community Schools follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The School District's Superintendent submits to the Board a proposed budget prior to July 1 of each year. The budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Budgeted amounts are as originally adopted, or as amended by the Board throughout the year. Individual amendments were not material in relation to the original appropriations.
4. Appropriations lapse at year-end and therefore cancel all encumbrances. These appropriations are re-established at the beginning of the following year.

W. Reclassifications

Certain prior year amounts have been reclassified to conform with the current year presentation.

NOTE 2 - DEPOSITS AND INVESTMENTS

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

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and Cash Equivalents	\$ <u>154,004</u>	\$ <u>39,093</u>	\$ <u>193,097</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (Checking and Savings Accounts)	\$ <u>193,097</u>

ATLANTA COMMUNITY SCHOOLS
Montmorency County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk

In accordance with its investment policy, the School District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in 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 authorizes investments in investment pools as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district.

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. Investments in U.S. Treasury securities and those other securities completely guaranteed by the Treasury as to payment of principal and interest may be purchased in any dollar amount or up to 100% of the available reserves.

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, 2007, \$225,512 of the School District's bank balance of \$425,512 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 approved in the District's Investment policy which is in accordance with State law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the School District will do business.

Foreign Currency Risk

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

NOTE 3 - RECEIVABLES

Receivables at June 30, 2007, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

ATLANTA COMMUNITY SCHOOLS
Montmorency County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

NOTE 3 - RECEIVABLES (CONTINUED)

A summary of the principal items of intergovernmental receivables from the State of Michigan follows:

<u>Governmental Activities</u>	<u>Amount</u>
State Aid	\$ <u><u>290,119</u></u>

NOTE 4 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables as of June 30, 2007 were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Governmental Funds:		
General Fund	\$ 24,723	\$ 14,042
Non-major Governmental Funds	0	24,723
Fiduciary Funds	<u>14,042</u>	<u>0</u>
	<u>\$ 38,765</u>	<u>\$ 38,765</u>

The amounts of interfund receivables and payables for individual funds as of June 30, 2007 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General Fund	\$ 21,763	Athletic Fund	\$ 21,763
General Fund	2,960	Food Service Fund	2,960
Fiduciary Fund	<u>14,042</u>	General Fund	<u>14,042</u>
Total	<u>\$ 38,765</u>	Total	<u>\$ 38,765</u>

These balances result from the time lag between the dates that interfund goods and services are provided, transactions are recorded in the accounting system, and payments between funds are made.

ATLANTA COMMUNITY SCHOOLS
Montmorency County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated:				
Land	\$ <u>1</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>1</u>
Capital Assets Being Depreciated				
Buildings and Improvements	10,912,132	0	(203,408)	10,708,724
Furniture, Fixtures and Equipment	1,486,401	200,146	(40,708)	1,645,839
Vehicles and Buses	<u>263,230</u>	<u>0</u>	<u>(175,886)</u>	<u>87,344</u>
Subtotal	<u>12,661,763</u>	<u>200,146</u>	<u>(420,002)</u>	<u>12,441,907</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(2,585,169)	(180,260)	173,408	(2,592,021)
Furniture, Fixtures and Equipment	(784,871)	(86,295)	33,420	(837,746)
Vehicles and Buses	<u>(178,029)</u>	<u>0</u>	<u>90,685</u>	<u>(87,344)</u>
Subtotal	<u>(3,548,069)</u>	<u>(266,555)</u>	<u>297,513</u>	<u>(3,517,111)</u>
Capital Assets Being Depreciated	<u>9,113,694</u>	<u>(66,409)</u>	<u>(122,489)</u>	<u>8,924,796</u>
Governmental Activities Total				
Capital Assets - Net of Depreciation	<u>\$ 9,113,695</u>	<u>\$ (66,409)</u>	<u>\$ (122,489)</u>	<u>\$ 8,924,797</u>

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

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, 2007

NOTE 7 - LONG-TERM LIABILITIES

A. Bonds Payable

	Date of Contract	Principal Due	Interest on Loan	Total Obligation
Durant School Improvement Bonds:				
The bonds dated 1999 which bear interest from 4.76% to 8% are due serially each May 15 from 2009 through 2013	1999	\$ 30,341	\$ 8,337	\$ 38,678

ATLANTA COMMUNITY SCHOOLS
Montmorency County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

A. Bonds Payable (Continued)

	<u>Date of Contract</u>	<u>Principal Due</u>	<u>Interest on Loan</u>	<u>Total Obligation</u>
1999 School Building and Site Bonds:				
The bonds dated 1999 which bear interest from 5.2% to 5.25% are due serially each May 1 through 2009	1999	\$ 810,000	\$ 63,180	\$ 873,180
2005 Refunding Bonds:				
The bonds dated May 29, 2005 which bear interest at 3% to 5% are due serially each May 1 through 2019	2005	<u>4,125,000</u>	<u>1,338,188</u>	<u>5,463,188</u>
Total Bonds Payable		<u>\$ 4,965,341</u>	<u>\$ 1,409,705</u>	<u>\$ 6,375,046</u>

B. Loans Payable

	<u>Date of Contract</u>	<u>Principal Due</u>	<u>Interest on Loan</u>	<u>Total Obligation</u>
USDA Loan:				
The loan dated November 16, 2001 which bears interest at 5.42% is due annually each September 30 through 2007	2001	\$ 12,901	\$ 699	\$ 13,600
Equipment Loan:				
The loan on a Kubota tractor dated May 15, 2006 which bears interest at 3.99% is due monthly on the 15th through 2011	2005	5,459	434	5,893
Equipment Loan:				
The loan on a Kubota tractor dated November 19, 2006 which bears interest at 7.99% is due monthly on the 19th through 2011	2006	<u>10,164</u>	<u>1,894</u>	<u>12,058</u>
Total Loans Payable		<u>\$ 28,524</u>	<u>\$ 3,027</u>	<u>\$ 31,551</u>

ATLANTA COMMUNITY SCHOOLS
Montmorency County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

C. Capital Leases

	Date of Contract	Principal Due	Interest on Lease	Total Obligation
Energy Retrofit Lease:				
The lease for building improvements of \$134,848 dated December 12, 2005 is due in semi-annual payments of \$8,227, including interest, over a period of 10 years	2005	\$ 117,825	\$ 22,034	\$ 139,859
Hewlett-Packard Computer Lease:				
The lease for 44 computers in the learning center and virtual labs of \$48,390 dated November 30, 2006 is due in annual payments of \$10,952 over a period of five years	2006	37,438	6,368	43,806
Hewlett-Packard Computer Lease:				
The lease for 36 computers in the elementary Title I lab of \$36,362 dated November 30, 2006 is due in annual payments of \$8,229 over a period of five years	2006	28,133	4,785	32,918
Hewlett-Packard Computer Lease:				
The lease for 89 computers in the high school labs and administrative offices of \$99,879 dated November 30, 2006 is due in annual payments of \$22,605 over a period of five years	2006	77,274	13,144	90,418
Total Capital Leases		\$ 260,670	\$ 46,331	\$ 307,001

ATLANTA COMMUNITY SCHOOLS
Montmorency County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

The annual principal and interest requirements for long-term debt for the years after June 30, 2007 are as follows:

	Government Activities		
	Principal	Interest	Total
2008	\$ 495,585	\$ 234,332	\$ 729,917
2009	488,377	209,587	697,964
2010	461,523	184,444	645,967
2011	464,560	166,929	631,489
2012	423,135	149,292	572,427
2013 - 2017	2,101,355	462,203	2,563,558
2018 - 2019	<u>820,000</u>	<u>52,276</u>	<u>872,276</u>
Total	<u>\$ 5,254,535</u>	<u>\$ 1,459,063</u>	<u>\$ 6,713,598</u>

The annual State of Michigan appropriation, through the State Aid payments, is the only revenue source for making the annual debt service payment on the school improvement bonds. If the legislature fails to appropriate the funds, the School District is under no obligation for payment.

D. Compensated Absences Payable

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 of 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 \$38,937 at June 30, 2007, of which \$750 was the estimated current portion.

E. 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, 2007 was \$111,000, of which \$40,500 was the estimated current portion.

F. 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 in 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, 2007, \$4,095,000 of bonds outstanding are considered defeased.

ATLANTA COMMUNITY SCHOOLS
Montmorency County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

NOTE 7 - LONG-TERM LIABILITIES (CONTINUED)

G. Changes in Long-Term Liabilities

The following is a summary of long-term debt transactions of the School District for the year ended June 30, 2007:

	<u>Balance</u> <u>July 1, 2006</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>
<u>Governmental Activities</u>					
Bonds Payable	\$ 5,380,341	\$ 0	\$ (415,000)	\$ 4,965,341	\$ 435,000
Deferred Amounts for Issuance					
Premium	139,254	0	(10,810)	128,444	0
Deferred Amounts on Refunding	<u>(207,670)</u>	<u>0</u>	<u>16,120</u>	<u>(191,550)</u>	<u>0</u>
Total Bonds Payable, Net	5,311,925	0	(409,690)	4,902,235	435,000
Loans Payable	32,077	11,515	(15,068)	28,524	16,301
Capital Leases	214,485	184,631	(138,446)	260,670	44,283
Compensated Absences	35,573	3,364 *	0	38,937	750
Early Retirement Incentive	<u>164,500</u>	<u>0</u>	<u>(53,500)</u>	<u>111,000</u>	<u>40,500</u>
Total Long-Term Liabilities	<u>\$ 5,758,560</u>	<u>\$ 199,510</u>	<u>\$ (616,704)</u>	<u>\$ 5,341,366</u>	<u>\$ 536,834</u>

*Represents net of additions and retirements for the year.

The payment dates of compensated absences payable are undeterminable.

The interest expenditures on long-term obligations for the year were \$247,722.

NOTE 8 - CHANGE IN ACCOUNTING METHOD - LEASES

A capital lease for buses was reclassified to an operating lease in the year ended June 30, 2007. The change in accounting method resulted in a reduction of Vehicles and a reduction in Capital Leases Payable of \$85,201.

NOTE 9 - OPERATING LEASE

On March 15, 2006, the School District entered into a lease agreement with Commercial Equipment Company for the rental of a Toshiba Digital Copier System for the Atlanta Learning Center. The lease payments under the non-cancelable operating lease are as follows:

2008	\$	1,663
2009		1,663
2010		<u>1,663</u>
	\$	<u><u>4,989</u></u>

Lease payments in the current year were \$1,663.

ATLANTA COMMUNITY SCHOOLS
Montmorency County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

NOTE 10 - OPERATING TRANSFERS

During the year ended June 30, 2007, the following transfers were made:

Description	Operating Transfers In	Operating Transfers Out
Major Governmental Funds:		
General Fund	\$ 11,312	\$ 40,005
1999 Debt Retirement Fund	5	187,257
Non-major Governmental Funds	227,257	11,312
	\$ 238,574	\$ 238,574

Interfund transfers for the year ended June 30, 2007 consisted of the following:

Fund	Transfer In	Fund	Transfer Out
General Fund	\$ 11,312	Food Service Fund	\$ 11,312
1999 Debt Retirement Fund	5	General Fund	5
2005 Refunding Bond Debt Retirement Fund	187,257	1999 Debt Retirement Fund	187,257
Athletic Fund	40,000	General Fund	40,000
Total	\$ 238,574	Total	\$ 238,574

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 11 - FUND BALANCE (DEFICIT)

A deficit unreserved fund balance of \$18,973 existed at June 30, 2007 in the Athletic Fund.

NOTE 12 - EXCESS OF EXPENDITURES OVER APPROPRIATION IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budget of the School District for the general fund was adopted at the functional level, and the approved budget for the special revenue funds was adopted at the activity level.

ATLANTA COMMUNITY SCHOOLS
Montmorency County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

NOTE 12 - EXCESS OF EXPENDITURES OVER APPROPRIATION IN BUDGETARY FUNDS (CONTINUED)

During the year ended June 30, 2007, the School District incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

<u>Fund/Function</u>	<u>Total Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General/Support Services	\$ 1,354,836	\$ 1,451,456	\$ 96,620
General/Capital Outlay	\$ 4,332	\$ 200,146	\$ 195,814
General/Principal Retirement	\$ 30,103	\$ 68,313	\$ 38,210
General/Interest and Fees on Long-Term Debt	\$ 0	\$ 7,726	\$ 7,726
General/Operating Transfers Out	\$ 40,000	\$ 40,005	\$ 5

NOTE 13 - RETIREMENT PLANS

Defined Benefit Plan

The Atlanta Community Schools contributes to the Michigan Public School Employee's Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Michigan Public School Employee's Retirement System. MPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Public Act 300 of 1980 of the State of Michigan, as amended, assigns the authority to establish and amend benefit provisions to the MPERS Board. MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. The report may be obtained by writing to MPERS, 7150 Harris Drive, P.O. Box 30673, Lansing, Michigan 48909-8103.

Funding Policy

Effective January 1, 1987, employees who were MPERS members could have elected to contribute on a tax deferred basis to a Member Investment Plan (MIP). MIP members enrolled prior to January 1, 1990 contribute at a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Employees first hired January 1, 1990 or later will automatically be included in the MIP and will contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000. For a limited period ending January 1, 1993, an active basic plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment.

During the plan fiscal year 2006, employer contributions were 16.34% of covered compensation as school districts were responsible for the entire pension and health insurance contribution. After September 30, 2006, the contribution rate increased to 17.74% of covered compensation. The contribution requirements of plan members and Atlanta Community Schools are established and may be amended by the MPERS Board. The School District's contributions to MPERS for the years ending June 30, 2007, 2006 and 2005 were \$250,170, \$286,658 and \$280,738, respectively, equal to the required contributions for each year.

The MPERS also provides for death and disability benefits which are established by state statute. Under the MPERS Act, all retirees have the option of continuing health, dental and vision insurance coverage. All health care benefits under the MPERS are on a self-insured pay-as-you-go basis. Retirees electing these coverages pay a portion of the premium for this coverage from their monthly pension benefit.

ATLANTA COMMUNITY SCHOOLS
Montmorency County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

NOTE 13 - RETIREMENT PLANS (CONTINUED)

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 benefit of the participants and their beneficiaries. The custodian thereof, for the exclusive benefit of the participants, holds the custodial account for the beneficiaries of this 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 \$18,859 for the year ended June 30, 2007. The assets of the plan are administered and held by various approved third party financial institutions.

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 \$65,629 as of June 30, 2007.

NOTE 15 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The School District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property, casualty and workers' disability compensation. The pools are considered public entity risk pools. The School District pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. Each of the pools maintain reinsurance claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The School District has not been informed of any special assessments being required.

The School District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 16 - GOVERNMENTAL REGULATION

Substantially all of the School District's facilities are subject to federal, state and local provisions regulating the discharge of materials into the environment. Compliance with these provisions has not had, nor does the School District expect such compliance to have, any material effect upon the capital expenditures, net revenue in excess of expenditures or financial condition of the School District. Management believes that its current practices and procedures for the control and disposition of such wastes comply with applicable federal and state requirements.

ATLANTA COMMUNITY SCHOOLS
Montmorency County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2007

NOTE 17 - COMPARATIVE DATA

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the School District's financial position and operations.

REQUIRED SUPPLEMENTARY INFORMATION

ATLANTA COMMUNITY SCHOOLS
Montmorency County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL
 GENERAL FUND
For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance - Favorable (Unfavorable)
<u>Revenue</u>				
Local Sources	\$ 1,867,213	\$ 1,914,422	\$ 1,962,141	\$ 47,719
State Sources	1,476,298	1,435,918	1,435,486	(432)
Federal Sources	<u>0</u>	<u>265,603</u>	<u>264,298</u>	<u>(1,305)</u>
Total revenue	<u>3,343,511</u>	<u>3,615,943</u>	<u>3,661,925</u>	<u>45,982</u>
<u>Expenditures</u>				
Current:				
Instruction	1,946,048	2,258,201	2,201,422	56,779
Support Services	1,276,162	1,354,836	1,451,456	(96,620)
Capital Outlay	0	4,332	200,146	(195,814)
Debt Service:				
Principal Retirement	0	30,103	68,313	(38,210)
Interest and Fees on Long-Term Debt	<u>0</u>	<u>0</u>	<u>7,726</u>	<u>(7,726)</u>
Total expenditures	<u>3,222,210</u>	<u>3,647,472</u>	<u>3,929,063</u>	<u>(281,591)</u>
Excess of revenue over (under) expenditures	<u>121,301</u>	<u>(31,529)</u>	<u>(267,138)</u>	<u>(235,609)</u>
<u>Other Financing Sources (Uses)</u>				
Loan Proceeds	0	0	11,515	11,515
Capital Lease Proceeds	0	0	184,631	184,631
Sale of Capital Assets	0	64,187	64,657	470
Operating Transfers In	0	0	11,312	11,312
Operating Transfers Out	<u>(45,000)</u>	<u>(40,000)</u>	<u>(40,005)</u>	<u>(5)</u>
Total other financing sources (uses)	<u>(45,000)</u>	<u>24,187</u>	<u>232,110</u>	<u>207,923</u>
Excess of revenue and other sources over (under) expenditures and other uses	76,301	(7,342)	(35,028)	(27,686)
Fund balances - beginning of year	<u>214,530</u>	<u>214,530</u>	<u>214,530</u>	<u>0</u>
Fund balances - end of year	<u>\$ 290,831</u>	<u>\$ 207,188</u>	<u>\$ 179,502</u>	<u>\$ (27,686)</u>

OTHER INFORMATION

ATLANTA COMMUNITY SCHOOLS
Montmorency County, Michigan

COMBINING BALANCE SHEET
 OTHER GOVERNMENTAL FUNDS
June 30, 2007

	<u>Food Service Fund</u>	<u>Athletic Fund</u>	<u>2005 Refunding Bond Debt Retirement Fund</u>	<u>Total Other Governmental Funds</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 1,679	\$ 2,790	\$ 0	\$ 4,469
Receivables:				
Accounts	1,286	0	0	1,286
Inventory:				
Supplies	<u>1,771</u>	<u>0</u>	<u>0</u>	<u>1,771</u>
Total Assets	<u>\$ 4,736</u>	<u>\$ 2,790</u>	<u>\$ 0</u>	<u>\$ 7,526</u>
<u>LIABILITIES AND FUND EQUITY</u>				
<u>Liabilities</u>				
Due to Other Funds	<u>\$ 2,960</u>	<u>\$ 21,763</u>	<u>\$ 0</u>	<u>\$ 24,723</u>
<u>Fund Equity</u>				
Fund Balance (Deficit):				
Reserved:				
Food Service	1,776	0	0	1,776
Unreserved, Reported in:				
Special Revenue Funds	<u>0</u>	<u>(18,973)</u>	<u>0</u>	<u>(18,973)</u>
Total Fund Equity	<u>1,776</u>	<u>(18,973)</u>	<u>0</u>	<u>(17,197)</u>
Total Liabilities and Fund Equity	<u>\$ 4,736</u>	<u>\$ 2,790</u>	<u>\$ 0</u>	<u>\$ 7,526</u>

ATLANTA COMMUNITY SCHOOLS
Montmorency County, Michigan

COMBINING STATEMENT OF REVENUE, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	<u>Food Service Fund</u>	<u>Athletic Fund</u>	<u>2005 Refunding Bond Debt Retirement Fund</u>	<u>Total Other Governmental Funds</u>
<u>Revenue</u>				
Local Sources:				
Food Sales	\$ 40,979	\$ 0	\$ 0	\$ 40,979
Gate Receipts	0	19,765	0	19,765
Interest on Investments	127	152	468	747
Contributions	0	43	0	43
Other Local Sources	0	19,091	0	19,091
State Sources	10,675	0	0	10,675
Federal Sources	<u>110,435</u>	<u>0</u>	<u>0</u>	<u>110,435</u>
Total revenue	<u>162,216</u>	<u>39,051</u>	<u>468</u>	<u>201,735</u>
<u>Expenditures</u>				
Current:				
Food Services	149,753	0	0	149,753
Athletics	0	99,570	0	99,570
Debt Service:				
Principal Retirement	0	0	15,000	15,000
Interest and Fees on Long-Term Debt	<u>0</u>	<u>0</u>	<u>177,074</u>	<u>177,074</u>
Total expenditures	<u>149,753</u>	<u>99,570</u>	<u>192,074</u>	<u>441,397</u>
Excess of revenue over (under) expenditures	<u>12,463</u>	<u>(60,519)</u>	<u>(191,606)</u>	<u>(239,662)</u>
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	0	40,000	187,257	227,257
Operating Transfers Out	<u>(11,312)</u>	<u>0</u>	<u>0</u>	<u>(11,312)</u>
Total other financing sources (uses)	<u>(11,312)</u>	<u>40,000</u>	<u>187,257</u>	<u>215,945</u>
Excess of revenue and other sources over (under) expenditures and other uses	1,151	(20,519)	(4,349)	(23,717)
Fund balances - beginning of year	<u>625</u>	<u>1,546</u>	<u>4,349</u>	<u>6,520</u>
Fund balance (deficit) - end of year	<u>\$ 1,776</u>	<u>\$ (18,973)</u>	<u>\$ 0</u>	<u>\$ (17,197)</u>

INDIVIDUAL FUND SCHEDULES

ATLANTA COMMUNITY SCHOOLS
Montmorency County, Michigan

GENERAL FUND
 DETAILS OF REVENUE COMPARED TO BUDGET
 For the Year Ended June 30, 2007
With Comparative Totals for the Year Ended June 30, 2006

	2007 Amended Budget	2007 Actual	2006 Actual
<u>Local Sources</u>			
Current Property Taxes	\$ 1,781,461	\$ 1,776,295	\$ 1,709,706
Interest on Investments	14,876	15,392	14,877
Rents	2,544	2,544	0
Medicaid Fee for Service	0	8,011	10,039
Special Education - Act 18	0	92,610	53,483
School Success	0	17,972	17,756
Miscellaneous Local Sources	115,541	49,317	66,809
	<u>1,914,422</u>	<u>1,962,141</u>	<u>1,872,670</u>
<u>State Sources</u>			
State Aid Foundation Allowance	1,239,921	1,239,921	1,366,017
NonPlaintiff Durant Settlement	0	0	5,139
At Risk	111,798	111,362	116,136
Math/Science	4,999	5,003	0
Preschool Program/Early Childhood Education	79,200	79,200	0
	<u>1,435,918</u>	<u>1,435,486</u>	<u>1,487,292</u>
<u>Federal Sources</u>			
Drug Free Schools	3,978	0	20,454
ECIA Title I	204,734	207,734	221,782
ECIA Title II- Improving Teacher Quality	54,408	54,408	53,404
Title II - Perkins Grant	0	0	4,137
Title V	2,156	2,156	4,611
Other Federal Revenues	327	0	0
	<u>265,603</u>	<u>264,298</u>	<u>304,388</u>
<u>Other Financing Sources</u>			
Loan Proceeds	0	11,515	6,868
Capital Lease Proceeds	0	184,631	220,049
Sale of Capital Assets	64,187	64,657	37,282
Operating Transfers In	0	11,312	0
	<u>64,187</u>	<u>272,115</u>	<u>264,199</u>
Total Revenue and Other Financing Sources	<u>\$ 3,680,130</u>	<u>\$ 3,934,040</u>	<u>\$ 3,928,549</u>

ATLANTA COMMUNITY SCHOOLS
Montmorency County, Michigan

GENERAL FUND
 DETAILS OF EXPENDITURES COMPARED TO BUDGET
 For the Year Ended June 30, 2007
With Comparative Totals for the Year Ended June 30, 2006

	<u>2007</u> Amended Budget	<u>2007</u> Actual	<u>2006</u> Actual
<u>Instruction</u>			
Basic Programs:			
Elementary			
Salaries	\$ 363,481	\$ 353,284	\$ 309,194
Employee Benefits	207,793	196,286	135,669
Purchased Services	32,250	41,657	38,538
Supplies, Materials and Other	<u>46,032</u>	<u>47,603</u>	<u>46,196</u>
	<u>649,556</u>	<u>638,830</u>	<u>529,597</u>
High School			
Salaries	504,457	499,593	529,266
Employee Benefits	258,943	247,987	272,942
Purchased Services	118,736	97,482	36,895
Supplies, Materials and Other	<u>24,857</u>	<u>33,381</u>	<u>40,364</u>
	<u>906,993</u>	<u>878,443</u>	<u>879,467</u>
Preschool			
Purchased Services	<u>82,200</u>	<u>83,707</u>	<u>0</u>
Total Basic Programs	<u>1,638,749</u>	<u>1,600,980</u>	<u>1,409,064</u>
Added Needs:			
Special Education			
Salaries	87,568	102,946	149,158
Employee Benefits	59,195	61,457	83,700
Purchased Services	10,832	5,366	5,123
Supplies, Materials and Other	<u>3,442</u>	<u>3,639</u>	<u>7,528</u>
	<u>161,037</u>	<u>173,408</u>	<u>245,509</u>
Compensatory Education			
Salaries	0	0	149,498
Employee Benefits	0	0	72,284
Purchased Services	257,040	217,996	0
Supplies, Materials and Other	<u>0</u>	<u>2,156</u>	<u>4,611</u>
	<u>257,040</u>	<u>220,152</u>	<u>226,393</u>
Vocational Education			
Purchased Services	<u>0</u>	<u>0</u>	<u>13,574</u>
At Risk			
Salaries	75,222	69,854	74,808
Employee Benefits	<u>32,778</u>	<u>40,836</u>	<u>41,350</u>
	<u>108,000</u>	<u>110,690</u>	<u>116,158</u>

ATLANTA COMMUNITY SCHOOLS
Montmorency County, Michigan

GENERAL FUND
 DETAILS OF EXPENDITURES COMPARED TO BUDGET
 For the Year Ended June 30, 2007
With Comparative Totals for the Year Ended June 30, 2006

	<u>2007</u> Amended Budget	<u>2007</u> Actual	<u>2006</u> Actual
<u>Instruction (Continued)</u>			
Added Needs: (Continued)			
Alternative Education			
Salaries	\$ 39,190	\$ 40,807	\$ 74,768
Employee Benefits	25,759	23,654	47,569
Purchased Services	10,281	14,896	25,026
Supplies, Materials and Other	<u>18,145</u>	<u>16,835</u>	<u>3,902</u>
	<u>93,375</u>	<u>96,192</u>	<u>151,265</u>
 Total Added Needs	 <u>619,452</u>	 <u>600,442</u>	 <u>752,899</u>
 Total Instruction	 <u>2,258,201</u>	 <u>2,201,422</u>	 <u>2,161,963</u>
<u>Support Services</u>			
Pupil Services:			
Guidance Services			
Purchased Services	<u>0</u>	<u>40,000</u>	<u>21,634</u>
Health Services			
Purchased Services	<u>0</u>	<u>12,306</u>	<u>0</u>
 Total Pupil Services	 <u>0</u>	 <u>52,306</u>	 <u>21,634</u>
General Administration:			
Board of Education			
Salaries	8,400	10,450	9,550
Purchased Services	93,925	107,132	57,648
Supplies, Materials and Other	<u>2,500</u>	<u>2,364</u>	<u>3,321</u>
	<u>104,825</u>	<u>119,946</u>	<u>70,519</u>
Executive Administration			
Salaries	82,400	82,990	80,900
Employee Benefits	37,017	38,185	35,879
Purchased Services	<u>2,500</u>	<u>1,343</u>	<u>3,103</u>
	<u>121,917</u>	<u>122,518</u>	<u>119,882</u>
 Total General Administration	 <u>226,742</u>	 <u>242,464</u>	 <u>190,401</u>
School Administration:			
Office of the Principal			
Salaries	118,902	118,902	167,486
Employee Benefits	78,022	77,032	76,868
Purchased Services	9,437	10,522	6,015
Supplies, Materials and Other	<u>19,450</u>	<u>22,863</u>	<u>25,084</u>
	<u>225,811</u>	<u>229,319</u>	<u>275,453</u>

ATLANTA COMMUNITY SCHOOLS
Montmorency County, Michigan

GENERAL FUND
 DETAILS OF EXPENDITURES COMPARED TO BUDGET
 For the Year Ended June 30, 2007
With Comparative Totals for the Year Ended June 30, 2006

	2007 Amended Budget	2007 Actual	2006 Actual
<u>Support Services (Continued)</u>			
Business:			
Fiscal Services			
Salaries	\$ 57,486	\$ 60,346	\$ 55,978
Employee Benefits	43,034	43,917	44,363
Purchased Services	15,583	15,813	4,348
Supplies, Materials and Other	34,234	33,770	37,654
	150,337	153,846	142,343
Operations and Maintenance:			
Salaries	40,688	48,019	89,445
Employee Benefits	25,914	31,777	64,418
Purchased Services	204,879	214,494	122,369
Supplies, Materials and Other	29,443	13,443	24,029
Maintenance and Repairs	199	164	524
Utilities - Electric	53,346	50,810	50,806
Utilities - Heat	68,353	71,501	68,577
Utilities - Telephone	15,000	20,380	12,689
Utilities - Water and Sewer	15	863	56
Utilities - Waste Removal	2,853	2,970	2,717
	440,690	454,421	435,630
Transportation:			
Salaries	98,801	103,779	92,138
Employee Benefits	53,339	50,533	42,289
Purchased Services	44,589	55,826	19,983
Supplies, Materials and Other	32,699	36,383	43,652
Repairs and Maintenance	17,500	14,059	0
	246,928	260,580	198,062
Central Services:			
Technology			
Salaries	0	0	24,500
Employee Benefits	0	0	28,904
Purchased Services	52,328	43,795	42,740
Supplies, Materials and Other	12,000	14,725	11,475
	64,328	58,520	107,619
 Total Support Services	 1,354,836	 1,451,456	 1,371,142
<u>Community Services</u>			
Other Community Services:			
Purchased Services	0	0	20,454

ATLANTA COMMUNITY SCHOOLS
Montmorency County, Michigan

GENERAL FUND
 DETAILS OF EXPENDITURES COMPARED TO BUDGET
 For the Year Ended June 30, 2007
With Comparative Totals for the Year Ended June 30, 2006

	2007 Amended Budget	2007 Actual	2006 Actual
<u>Capital Outlay</u>			
Instruction	\$ 0	\$ 114,471	\$ 0
Support Services	<u>4,332</u>	<u>85,675</u>	<u>233,849</u>
Total Capital Outlay	<u>4,332</u>	<u>200,146</u>	<u>233,849</u>
<u>Debt Service</u>			
Principal Retirement	30,103	68,313	11,774
Interest and Fees on Long-Term Debt	<u>0</u>	<u>7,726</u>	<u>12,927</u>
Total Debt Service	<u>30,103</u>	<u>76,039</u>	<u>24,701</u>
<u>Operating Transfers Out</u>			
Athletic Fund	40,000	40,000	0
Debt Service Funds	<u>0</u>	<u>5</u>	<u>0</u>
Total Transfers Out	<u>40,000</u>	<u>40,005</u>	<u>0</u>
Total Expenditures and Transfers	<u>\$ 3,687,472</u>	<u>\$ 3,969,068</u>	<u>\$ 3,812,109</u>



Stephenson Gracik & Co., P.C.

Certified Public Accountants & Consultants

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Kyle E Troyer, CPA

Herman A Bertuleit, CPA

September 05, 2007

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

Board of Education
Atlanta Community Schools
Montmorency County, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Atlanta Community Schools, Montmorency County, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the Atlanta Community Schools' basic financial statements and have issued our report thereon dated September 05, 2007. 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 Atlanta Community Schools' 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 Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Atlanta Community Schools' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Atlanta Community Schools' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Atlanta Community Schools' financial statements that is more than inconsequential will not be prevented or detected by the Atlanta Community Schools' internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

Deficit Fund Balance

The School District's Athletic Fund has a deficit fund balance at June 30, 2007. A deficit elimination plan was filed with the Michigan Department of Treasury, as required, before the audit was completed.

Debt Payments

The 2005 Debt refunding payments should be recorded in a 2005 Debt Retirement Fund. We established the fund as part of the audit at June 30, 2006. All debt service activity was recorded in the 1999 Debt Retirement Fund. However, payments are now being made on both the 1999 Debt and the 2005 Debt. The activity needs to be split between two separate debt retirement funds as required by the bond documents and state regulations.

Members of the Board
Atlanta Community Schools
September 05, 2007

Financial Statement Preparation

Atlanta Community Schools prepare various financial information throughout the year to assess operations and the financial condition of the School District. However, prior to the closing of the year end, various entries material to the financial statements were proposed by our firm. Also, the School District relies on our firm to assist in reporting the annual financial report in accordance with Generally Accepted Accounting Principles.

Atlanta Community Schools have individuals on staff to review that the financial report is accurate and the financial information reflects the recording of the proposed entries, however, not to review and determine that the financial report is a complete presentation in accordance with Generally Accepted Accounting Principles. As a result, the School District is considered to have a significant control deficiency, since reporting errors or omissions could occur in the preparation of the annual financial report that would be departures from Generally Accepted Accounting Principles and the School District would not be in a position to detect the errors or omissions.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Atlanta Community Schools' internal control.

Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above to be material weaknesses.

Compliance and Other Matters

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

We noted certain matters that we have reported to management of Atlanta Community Schools in a separate letter dated September 05, 2007.

This report is intended solely for the information and use of management, the Board of Education, others within the entity, the Michigan Department of Education, 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.

Stephenson, Grubb & Co., P.C.



Stephenson Gracik & Co., P.C.

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September 05, 2007

To the Board of Education
Atlanta Community Schools
Montmorency County, Michigan

Dear Board Members:

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, 2007, and have issued our report thereon dated September 05, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated June 01, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

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 Schools' 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.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Atlanta Community Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Atlanta Community Schools during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

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.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Atlanta Community Schools' financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Atlanta Community Schools, either individually or in the aggregate, indicate matters that could have a significant effect on the Atlanta Community Schools' financial reporting process.

Disagreements with Management

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

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 auditors' 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.

Issues Discussed Prior to Retention of Independent Auditors

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 Atlanta Community Schools' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

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

Additional Information

As a result of our study and evaluation of the internal controls and compliance as described in the third and fourth paragraphs, certain matters came to our attention upon which we would like to comment and offer the following recommendations.

Deficit Fund Balance

The School District's Athletic Fund has a deficit fund balance at June 30, 2007. A deficit elimination plan was filed with the Michigan Department of Treasury, as required, before the audit was completed.

Debt Payments

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Financial Statement Presentation

Atlanta Community Schools prepare various financial information throughout the year to assess operations and the financial condition of the School District. However, prior to the closing of the year end, various entries material to the financial statements were proposed by our firm. Also, the School District relies on our firm to assist in reporting the annual financial report in accordance with Generally Accepted Accounting Principles.

Atlanta Community Schools have individuals on staff to review that the financial report is accurate and the financial information reflects the recording of the proposed entries, however, not to review and determine that the financial report is a complete presentation in accordance with Generally Accepted Accounting Principles. As a result, the School District is considered to have a significant control deficiency, since reporting errors or omissions could occur in the preparation of the annual financial report that would be departures from Generally Accepted Accounting Principles and the School District would not be in a position to detect the errors or omissions.

Proper Approval

During disbursement testing, it was noted that three checks for expense reimbursements did not have signatures approving payment, and one check had only one signature, when two signatures are required. There was also one check issued from the Trust and Agency/Library activity with only an approved check request and no supporting invoice. It was also noted during receipt testing that in the Athletic Fund, total cash deposited for concessions was reduced for cash paid out for supplies and officials, with no invoice or receipt supporting the amount paid or the name of the official. Approval is required prior to payment for these expense reimbursements, supporting invoices should be kept for all disbursements, and two signatures should be obtained on all checks.

Student Activity Funds Overspent

It was noted that at June 30, 2007, the student activity fund had five activity accounts that had been overspent. It was also noted that there were seven deposits totaling \$665.65 that were not allocated to a specific activity account. These trust accounts should not be overspent, and deposit information should be provided to the business office in order to allocate these funds.

Budget Control

We noted that the School District's General Fund included expenditures in some functions that exceeded appropriated amounts. We recommend that the Board continue to amend the budgets for all funds periodically as needed and take into consideration recurring year end audit adjustments.

We wish to express our appreciation for the cooperation and courtesies extended our staff by management and employees of Atlanta Community Schools.

This information is intended solely for the use of management, the Board of Education, others within the entity, the Michigan Department of Education, 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.

Stephenson, Grain & Co., P.C.