



CEDAR SPRINGS, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022



Vredeveld Haefner LLC
CPAs and Consultants

CREATIVE TECHNOLOGIES ACADEMY

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INDEPENDENT AUDITORS' REPORT

October 26, 2022

Members of the Board of Directors
Creative Technologies Academy
Cedar Springs, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Creative Technologies Academy, Cedar Springs, Michigan (the Academy) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Academy, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Academy and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Academy's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 35 through 39 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Academy's basic financial statements. The nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2022, on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

Uredaxold Haefner LLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of Creative Technologies Academy (the Academy), we offer readers of the Academy's financial statements this narrative overview and analysis of the financial activities of the Academy for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- The Academy maintained a consistent state-aid membership student count of 302 in comparison to 310 from the prior year.
- The Academy completed construction of a soccer field and parking lot.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Academy's financial statements. The Academy's basic financial statements comprise 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 Academy's finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position 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., payments on debt).

Both of the government-wide financial statements display functions of the Academy that are principally supported by intergovernmental revenues (*governmental activities*). The governmental activities of the Academy include instruction, support services, athletics and unallocated depreciation. The Academy does not have any business-type activities.

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 Academy, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Academy are considered governmental 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 government'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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of

revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Academy maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General and Construction Capital Projects funds which are considered to be major funds. Data for the remaining governmental fund, which is considered to be a nonmajor fund, is presented separately.

The Academy adopts an annual appropriated budget for its General and all special revenue funds. A budgetary comparison schedule has been provided herein for the General fund to demonstrate compliance with the budget.

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.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. Required supplementary information includes this management discussion and analysis, a schedule of General fund budget to actual information, and required pension and other post-employment benefits schedules.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Academy, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$1,294,494 at the close of the most recent fiscal year.

A portion of the Academy's deficit net position reflects unrestricted net position which is primarily the result of the Academy's net pension and OPEB liabilities. A significant portion of the deficit net position is invested in capital assets (e.g., land, buildings, equipment and software), less any related debt used to acquire those assets that is still outstanding. The Academy uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the Academy's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Net Position	
	Governmental Activities	
	<u>2022</u>	<u>2021</u>
Assets		
Current assets	\$ 1,433,355	\$ 2,065,938
Capital assets	3,170,233	2,157,100
Total assets	<u>4,603,588</u>	<u>4,223,038</u>
Deferred outflows of resources	<u>1,380,465</u>	<u>1,885,772</u>
Current liabilities	419,393	1,040,781
Long-term liabilities outstanding	4,633,329	6,440,191
Total liabilities	<u>5,052,722</u>	<u>7,480,972</u>
Deferred inflows of resources	<u>2,225,825</u>	<u>682,115</u>
Net position		
Net investment in capital assets	2,581,595	1,485,248
Unrestricted	(3,876,089)	(3,539,525)
Total net position	<u><u>\$(1,294,494)</u></u>	<u><u>\$(2,054,277)</u></u>

Net position of the Academy increased by \$759,783 during the year. The increase in net position is primarily due to new COVID-19 pandemic related funding in addition to increased state aid foundation amount.

	Activities	
	Governmental Activities	
	<u>2022</u>	<u>2021</u>
Revenue		
Program revenue		
Charges for services	\$ 23,510	\$ 36,797
Operating grants and contributions	1,535,479	1,079,622
General revenue		
Grants and contributions not restricted to specific programs	2,593,025	2,517,654
Other	1,145	3,692
Total revenue	4,153,159	3,637,765
Expenses		
Instruction	1,627,795	1,510,400
Supporting services	1,601,951	1,469,813
Athletics	42,051	25,453
Unallocated depreciation	95,549	93,295
Interest and fees	26,030	32,769
Total expenses	3,393,376	3,131,730
Increase (decrease) in net position	759,783	506,035
Net position - beginning of year	(2,054,277)	(2,560,312)
Net position - end of year	<u>\$(1,294,494)</u>	<u>\$(2,054,277)</u>

Governmental Activities

During the year the Academy expended 48% of its total expenses on instruction and 47% on support services such as guidance service, transportation, building operation and maintenance and administration. The remaining 5% of expenses was athletics, depreciation, and interest on long-term debt.

Financial Analysis of the Government's Funds

As noted earlier, the Academy uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Academy's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Academy's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the Academy's governmental funds reported combined ending fund balances of \$1,101,391, a decrease of \$595,618 in comparison with the prior year.

The General fund is the chief operating fund of the Academy. At the end of the current fiscal year, unassigned fund balance of the General fund was \$884,318. As a measure of the General fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents approximately 22% of total General fund expenditures. The fund balance of the Academy's General fund decreased by \$242,354 during the current fiscal year.

The fund balance of the Construction Capital Projects fund at the end of the year amounted to \$204,088, a decrease of \$354,561 from the previous year. This increase is primarily the result of a transfer in from the General fund.

Budgetary Highlights

Over the course of the year, we revised the budget as we attempted to deal with unexpected changes in revenues and expenditures. Our authorizer, Ferris State University, encourages its academies to budget a surplus of 3 percent to 5 percent in the event that there are unexpected expenses such as a natural disaster, fire, legal costs, or a reduction in state aid. (In the future, each academy may designate part of the surplus, if it is not needed for the unexpected event, for debt reduction.) After the academies have operated for several months without any of these events occurring, the academies can then begin to increase the budgeted expense accounts, using those budgeted surpluses for academic programs and other enrichments. If, on the other hand, the surplus is needed for the unexpected, state law requires that the budget be amended to ensure that expenditures do not exceed appropriations. The final amendment to the budget was actually adopted just before year end. A schedule showing our original and final budget amounts compared with amounts actually paid and received is provided in the required supplemental information of these basic financial statements.

There were revisions made to our 2021-2022 General fund original budget. Budgeted revenues were increased by approximately \$850,000 over the original budget to reflect increases in state and federal revenues. Budgeted expenditures were increased by approximately \$850,000 to reflect additional program expenditures and facility construction and improvements.

There were no significant variances between the final budget and actual amounts.

Capital Asset and Debt Administration

Capital assets. The Academy's investment in capital assets for its governmental activities as of June 30, 2022, amounted to \$3,170,233 (net of accumulated depreciation).

The Academy's capital assets (net of depreciation) are summarized as follows:

	Governmental Activities
Land	\$ 360,000
Construction in progress	262,500
Depreciable assets	<u>2,547,733</u>
Total	<u>\$3,170,233</u>

Additional information on the Academy's capital assets can be found in Note 5 of this report.

Debt. The Academy's only debt outstanding is related to its note payable which was converted to a long-term note during the year. Additional information on the Academy's long-term debt can be found in Note 7 of these financial statements.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the Academy's budget for the 2022-23 fiscal year:

Our board of directors and administration consider many factors when setting the 2023 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The blended count for the 2023 fiscal year is 10 percent and 90 percent of the February 2022 and October 2022 student counts, respectively. The 2023 budget was adopted in June 2022, based on an estimate of students who will be enrolled in September 2022. Approximately 70 percent of total General fund revenue is from the foundation allowance. As a result, our funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2023 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2023 budget. Once the final student count and related per pupil funding are validated, state law requires us to amend the budget if actual resources are not sufficient to fund original appropriations.

Since our revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue to fund its appropriation to academies. The State periodically holds a revenue-estimating conference to estimate revenue. If a future revenue-estimating conference determines funds are not sufficient to fund the appropriation, the legislature must revise the appropriation, which may include a proration of state aid to all school districts and academies.

Requests for Information

This financial report is designed to provide a general overview of the Academy's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Manager/Chief Administrative Officer, Creative Technologies Academy, 350 Pine Street, Cedar Springs, Michigan, 49319.

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BASIC FINANCIAL STATEMENTS

CREATIVE TECHNOLOGIES ACADEMY

STATEMENT OF NET POSITION

JUNE 30, 2022

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 812,893
Accounts receivable	275
Due from other governmental units	619,662
Prepaid items	525
Capital assets, net	
Land	360,000
Construction in progress	262,500
Land improvements, buildings and improvements, furniture and equipment	<u>2,547,733</u>
Total assets	<u>4,603,588</u>
Deferred outflows of resources	
Deferred outflows related to pensions	912,688
Deferred outflows related to other post-employment benefits	<u>467,777</u>
Total deferred outflows of resources	<u>1,380,465</u>
Liabilities	
Accounts payable	19,026
Accrued liabilities	160,321
Due to other governmental units	124,335
Unearned revenue	28,282
Debt due within one year	87,429
Noncurrent liabilities	
Net pension liability	3,879,290
Net other post-employment benefits liability	252,830
Debt due in more than one year	<u>501,209</u>
Total liabilities	<u>5,052,722</u>
Deferred inflows of resources	
Deferred inflows related to pensions	1,275,444
Deferred inflows related to other post-employment benefits	<u>950,381</u>
Total deferred inflows of resources	<u>2,225,825</u>
Net position	
Net investment in capital assets	2,581,595
Unrestricted deficit	<u>(3,876,089)</u>
Total net position	<u>\$ (1,294,494)</u>

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

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CREATIVE TECHNOLOGIES ACADEMY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Primary government				
Governmental activities				
Instruction	\$ 1,627,795	\$ -	\$ 1,475,653	\$ (152,142)
Support services	1,601,951	23,510	59,826	(1,518,615)
Athletics	42,051	-	-	(42,051)
Depreciation - unallocated	95,549	-	-	(95,549)
Interest and fees	26,030	-	-	(26,030)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total governmental activities	<u>\$ 3,393,376</u>	<u>\$ 23,510</u>	<u>\$ 1,535,479</u>	<u>(1,834,387)</u>
 General revenues				
Unrestricted grants and contributions				2,593,025
Interest earnings				<u>1,145</u>
Total general revenues				<u>2,594,170</u>
 Change in net position				759,783
 Net position, beginning of year				<u>(2,054,277)</u>
 Net position, end of year				<u>\$ (1,294,494)</u>

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

CREATIVE TECHNOLOGIES ACADEMY

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2022

	<u>General</u>	<u>Construction Capital Projects</u>	<u>Nonmajor Student/School Activity</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 596,345	\$ 204,088	\$ 12,460	\$ 812,893
Accounts receivable	275	-	-	275
Due from other governmental units	619,662	-	-	619,662
Prepaid items	<u>525</u>	<u>-</u>	<u>-</u>	<u>525</u>
Total assets	<u>\$ 1,216,807</u>	<u>\$ 204,088</u>	<u>\$ 12,460</u>	<u>\$ 1,433,355</u>
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 19,026	\$ -	\$ -	\$ 19,026
Due to other governmental units	124,335	-	-	124,335
Accrued liabilities	160,321	-	-	160,321
Unearned revenue	<u>28,282</u>	<u>-</u>	<u>-</u>	<u>28,282</u>
Total liabilities	<u>331,964</u>	<u>-</u>	<u>-</u>	<u>331,964</u>
Fund balances				
Non-spendable				
Prepaid items	525	-	-	525
Committed				
Capital projects	-	204,088	-	204,088
Student/school activity	-	-	12,460	12,460
Unassigned	<u>884,318</u>	<u>-</u>	<u>-</u>	<u>884,318</u>
Total fund balances	<u>884,843</u>	<u>204,088</u>	<u>12,460</u>	<u>1,101,391</u>
Total liabilities and fund balances	<u>\$ 1,216,807</u>	<u>\$ 204,088</u>	<u>\$ 12,460</u>	<u>\$ 1,433,355</u>

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

CREATIVE TECHNOLOGIES ACADEMY

RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET POSITION OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET POSITION

JUNE 30, 2022

Fund balances - total governmental funds	\$ 1,101,391
Amounts reported for <i>governmental activities</i> in the statement of net position are different because	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	
Add - capital assets, net	3,170,233
Certain liabilities and related deferred inflows and deferred outflows are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - bonds and installment notes	(588,638)
Deduct - net pension liability	(3,879,290)
Deduct - net other post-employment benefits liability	(252,830)
Deduct - deferred inflows related to pensions	(1,275,444)
Deduct - deferred inflows related to other post-employment benefits	(950,381)
Add - deferred outflows related to pensions	912,688
Add - deferred outflows related to other post-employment benefits	<u>467,777</u>
Net position of governmental activities	<u>\$ (1,294,494)</u>

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

CREATIVE TECHNOLOGIES ACADEMY

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

FOR THE YEAR ENDED JUNE 30, 2022

	<u>General</u>	<u>Construction Capital Projects</u>	<u>Nonmajor Student/School Activity</u>	<u>Total</u>
Revenues				
Local sources				
Investment earnings	\$ 1,108	\$ 37	\$ -	\$ 1,145
Fees and charges	14,450	-	-	14,450
Other	343,914	5,000	11,442	360,356
State sources	3,131,973	-	-	3,131,973
Federal sources	645,235	-	-	645,235
Total revenues	<u>4,136,680</u>	<u>5,037</u>	<u>11,442</u>	<u>4,153,159</u>
Expenditures				
Current				
Instruction	1,782,969	-	-	1,782,969
Support services	1,761,485	-	-	1,761,485
Athletics	42,051	-	-	42,051
Facilities acquisition, construction and improvements	333,285	-	-	333,285
Capital outlay	-	709,598	-	709,598
Student/school activity	-	-	10,145	10,145
Debt service				
Principal	83,214	-	-	83,214
Interest and fees	26,030	-	-	26,030
Total expenditures	<u>4,029,034</u>	<u>709,598</u>	<u>10,145</u>	<u>4,748,777</u>
Revenues over (under) expenditures	<u>107,646</u>	<u>(704,561)</u>	<u>1,297</u>	<u>(595,618)</u>
Other financing sources (uses)				
Transfers in	-	350,000	-	350,000
Transfers out	(350,000)	-	-	(350,000)
Total other financing sources (uses)	<u>(350,000)</u>	<u>350,000</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(242,354)	(354,561)	1,297	(595,618)
Fund balances, beginning of year	<u>1,127,197</u>	<u>558,649</u>	<u>11,163</u>	<u>1,697,009</u>
Fund balances, end of year	<u>\$ 884,843</u>	<u>\$ 204,088</u>	<u>\$ 12,460</u>	<u>\$ 1,101,391</u>

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

CREATIVE TECHNOLOGIES ACADEMY

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

FOR THE YEAR ENDED JUNE 30, 2022

Net changes in fund balances - total governmental funds	\$ (595,618)
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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 are allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	1,108,682
Deduct - depreciation expense	(95,549)

Long-term debt proceeds provide current financial resources to governmental funds in the period issued, but issuing long-term debt increases long-term liabilities in the statement of net position. Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Add - principal payments on bonds and installment notes payable	83,214
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add - decrease in net pension liability	1,677,771
Add - decrease in net other post-employment benefits liability	630,300
Deduct - decrease in deferred outflows related to pensions	(411,019)
Deduct - decrease in deferred outflows related to other post-employment benefits	(94,288)
Deduct - increase in deferred inflows related to pensions	(1,259,696)
Deduct - increase in deferred inflows related to other post-employment benefits	<u>(284,014)</u>

Change in net position of governmental activities	<u>\$ 759,783</u>
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The accompanying notes are an integral part of these financial statements.

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CREATIVE TECHNOLOGIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Creative Technologies Academy, Cedar Springs, Michigan (the Academy) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

Reporting Entity

The Academy was formed as a charter school pursuant to the Michigan School Code. The Academy's authorizer is Ferris State University (the Authorizer) who is paid 3% of state-aid payments received by the Academy. The Authorizer provides certain contractual services to the Academy including the approval of the Academy's operating plan, monitoring compliance with provisions of the charter contract and selection of members for the Board of Directors. The Authorizer is paid 3% of state-aid payments received by the Academy for such services. The Academy provides education and related services to approximately 300 students in grades Kindergarten through 12th. The Academy is governed by a seven-member Board of Directors. The Academy is administered by a Chief Administrative Officer who is appointed by the Board. The Board appointed the Business Manager to serve as the Chief Administrative Officer of the Academy.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of Creative Technologies Academy. There are no component units to be included. The criteria for including a component unit include significant operational or financial relationships with the Academy.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by intergovernmental revenues are reported in total. The Academy has no business-type activities.

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

Separate financial statements are provided for governmental funds. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Major governmental funds are reported as separate columns in the fund financial statements.

The Academy reports the following major governmental funds:

The *General Fund* is the general operating fund of the Academy. It is used to account for all financial resources, except those required to be accounted for in another fund.

CREATIVE TECHNOLOGIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

The *Construction Capital Projects Fund* is used to account for the financial resources and activities relating to specific construction projects.

Additionally, the Academy reports the following fund type:

The *Special Revenue Fund* is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for reimbursement-based grants and interest which use one year. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include principal and interest on long-term debt, claims and judgments, net pension and OPEB liabilities, and compensated absences which are recognized when due.

All governmental funds are accounted for on a spending or “flow of current financial resources” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance is considered a measure of “available, spendable resources”.

Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available, spendable resources” during a period.

Budgets and Budgetary Accounting

Comparisons to budget are presented for the General fund. The Academy follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Business Manager/Chief Administrative Officer establishes a proposed operating budget for the fiscal year commencing the following July 1 and submits the budget to the Board of Directors.
2. Public hearings are conducted to obtain comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution.

CREATIVE TECHNOLOGIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

4. Formal budgetary integration is employed as a management control device during the year for the General and special revenue funds.
5. Budgets for the General and special revenue funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Adoption and amendments of all budgets used by the Academy are governed by Michigan Law. The appropriation ordinances are based on the projected expenditures budget of the various functions of the Academy. Any amendment to the original budget must meet the requirements of Michigan Law. Any revisions that alter the total expenditures of any activity must be approved by the Board of Directors. The Academy did amend its budget for the current fiscal year.

Cash and Investments

Michigan law and Academy policy authorizes the Academy to invest in:

- a. Bonds, bills or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States, or obligations of the State. In a primary or fourth class school district, the bonds, bills or notes shall be payable at the option of the holder upon not more than 90 days notice or, if not so payable, shall have maturity dates not more than 5 years after the purchase dates.
- b. Certificates of deposit issued by a state or national bank, savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this State.
- c. Commercial paper rated prime at the time of purchase and maturing not more than 270 days after the date of purchase.
- d. Securities issued or guaranteed by agencies or instrumentalities of the United States, United States or federal agency obligation repurchase agreements, and bankers' acceptances issued by a bank that is a member of the federal deposit insurance corporation.
- e. Mutual funds that are composed entirely of investment vehicles that are legal for direct investment by a school district.
- f. Investment pools, as authorized by the surplus funds investment pool act, composed entirely of instruments that are legal for direct investment by a school district.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items are recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements.

CREATIVE TECHNOLOGIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at acquisition value (the price that would be paid to acquire an asset with an equivalent service potential in an orderly market transaction) on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	10-20
Buildings and improvements	10-50
Furniture and equipment	20
Computers and software	5-20

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government has items that qualify for reporting in this category relating to pension and post-employment benefit plans as itemized in Note 6.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category relating to pension and post-employment benefit plans as itemized in Note 6.

Unearned Revenue

Funds report *unearned revenue* in connection with resources that have been received but not yet earned.

Pension

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

CREATIVE TECHNOLOGIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

Post-employment Benefits Other Than Pensions

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

Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums, discounts and issuance costs during the year of issuance. The face amount of debt issued and any premiums received are reported as other financing sources. Discounts on debt issuances are reported as other financing uses. Issuance costs are reported as expenditures regardless of fund or activity.

State Aid Revenue

The Academy reports State of Michigan school aid in the fiscal year in which the Academy is entitled to the revenue as provided by the State of Michigan School Aid Appropriation Act. State funding accounted for 82.0% of the General fund revenues for the year. A certain portion of State Aid received by the Academy is restricted to cover specified expenses of the Academy, including special education costs and retirement costs. The unrestricted portion is for use in the general operations of the Academy.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Risk Management

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The Academy carries commercial insurance to cover various risks of loss and employee benefits. The Academy has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

CREATIVE TECHNOLOGIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

Net Position and Fund Balance Reporting

Governmental funds report fund balance in the following five categories:

1. Non-spendable – the related asset's form does not allow expenditure of the balance. The assets are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact. Nonspendable fund balance would be equal to inventory, prepaid items, non-current financial assets, and the nonspendable portion of endowments.
2. Restricted – the related assets can only be spent for the specific purposes stipulated by constitution, external resource providers, or as identified in enabling legislation.
3. Committed – the related assets can only be spent for a specific purpose identified by formal resolution of the Academy's governing board.
4. Assigned – the related assets can only be spent for a specific purpose identified by formal resolution of the Academy's governing board. The Board has not delegated authority for the ability to assign fund balance.
5. Unassigned – is the residual classification and includes all spendable amounts not contained in the other classifications.

The Academy's policy requires maintaining fund balance in the General fund of not less than 5% of the current year state aid payment. Actual fund balance of the General fund at year-end was 37.6% of the current year state source revenues.

Net Position and Fund Balance Flow Assumptions

Sometimes the Academy will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position/fund balance and unrestricted – net position/fund balance, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Academy's policy to use restricted resources first, then unrestricted resources as they are needed. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

2. DEFICIT NET POSITION

At year-end the Academy reported a deficit net position of \$1,294,494.

3. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

State law provides that the Academy shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Academy's actual expenditures and budgeted expenditures for the budgeted funds have been shown at the activity level. The approved budgets of the Academy for these budgetary funds were adopted at the activity level. During the year ended June 30, 2022, the Academy incurred expenditures in excess of the amounts appropriated as follows:

	Amended Budget	Actual	Negative Variance
Central services	\$244,777	\$258,187	\$13,410
Athletics	41,679	42,051	372

CREATIVE TECHNOLOGIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

4. CASH

The balance on the financial statements for cash is \$812,893. These deposits are in financial institutions located in Michigan. The accounts are in the name of the Academy and are recorded in the Academy's records at fair value. Interest is recorded when earned.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned. State law does not require, and the Academy does not have, a policy for deposit custodial credit risk. As of year-end, \$471,691 of the Academy's bank balance of \$945,718 was exposed to custodial credit risk because it was uninsured and uncollateralized.

5. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 360,000	\$ -	\$ -	\$ 360,000
Construction in progress	77,758	262,500	77,758	262,500
Total capital assets, not being depreciated	437,758	262,500	77,758	622,500
Capital assets, being depreciated				
Land improvements	69,920	806,367	-	876,287
Buildings and improvements	2,578,254	48,714	-	2,626,968
Furniture and equipment	123,410	68,859	-	192,269
Computers and software	74,825	-	-	74,825
Total capital assets, being depreciated	2,846,409	923,940	-	3,770,349
Less accumulated depreciation for				
Land improvements	38,617	11,335	-	49,952
Buildings and improvements	952,192	65,230	-	1,017,422
Furniture and equipment	94,779	7,589	-	102,368
Computers and software	41,479	11,395	-	52,874
Total accumulated depreciation	1,127,067	95,549	-	1,222,616
Net capital assets, being depreciated	1,719,342	828,391	-	2,547,733
Governmental activities capital assets, net	\$2,157,100	\$1,090,891	\$77,758	\$3,170,233

Depreciation expense was not charged to specific activities as the Academy considers its assets to impact multiple activities and allocation is not practical.

6. PENSION AND OTHER POST-EMPLOYMENT BENEFITS PLAN

Plan Description

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

CREATIVE TECHNOLOGIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

members - eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

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

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

The System's financial statements are available at www.michigan.gov/orsschools.

Defined Benefit Plan

Benefits Provided

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

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

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2020 valuation will be amortized over an 18-year period beginning October 1, 2020 and ending September 30, 2038.

CREATIVE TECHNOLOGIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

The schedule below summarizes pension contribution rates in effect for the fiscal year ended September 30, 2021.

Benefit Structure	Member	Employer	
		Universities	Non-Universities
Basic	0.0-4.0%	26.26%	19.78%
Member Investment Plan	3.0-7.0	26.26	19.78
Pension Plus	3.0-6.4	N/A	16.82
Pension Plus 2	6.2	N/A	19.59
Defined Contribution	0.0	19.74	13.39

Required contributions to the pension plan from the District were \$491,989 for the year ended September 30, 2021.

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

At June 30, 2022, the District reported a liability of \$3,879,290 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. The District's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2021, the District's proportion was .01638531 percent, which was an increase of .00020806 percent from its proportion measured as of September 30, 2020.

For the year ended June 30, 2022, the District recognized pension expense of \$530,128.

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ 60,092	\$ 22,844
Changes of assumptions	244,537	-
Net difference between projected and actual earnings on pension plan investments	-	1,247,179
Changes in proportion and differences between employer contributions and proportionate share of contributions	182,644	5,421
Employer contributions subsequent to the measurement date	425,415	-
Total	\$912,688	\$1,275,444

CREATIVE TECHNOLOGIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2022	\$(27,308)
2023	(156,701)
2024	(273,005)
2025	(331,157)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2020
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
MIP and Basic Plans:	6.80% net of investment expenses
Pension Plus Plan:	6.80% net of investment expenses
Pension Plus 2 Plan:	6.00% net of investment expenses
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	
Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total pension liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [4.4367 for non-university employers or 1.0000 for university employers]
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2021 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

CREATIVE TECHNOLOGIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2021, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return *</u>
Domestic Equity Pools	25.0%	5.4%
Private Equity Pools	16.0%	9.1%
International Equity Pools	15.0%	7.5%
Fixed Income Pools	10.5%	(0.7)%
Real Estate and Infrastructure Pools	10.0%	5.4%
Absolute Return Pools	9.0%	2.6%
Real Return/Opportunistic Pools	12.5%	6.1%
Short Term Investment Pools	<u>2.0%</u>	(1.3)%
	100%	

* Long-term rates of return are net of administrative expenses and 2.0% inflation.

Rate of Return

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 27.3%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

A discount rate of 6.8% was used to measure the total pension liability (6.8% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.8% (6.8% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CREATIVE TECHNOLOGIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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

The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 6.8% (6.8% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan), as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

1% Decrease 5.8% / 5.8% / 5.0%	Current Single Discount Rate Assumption * 6.8% / 6.8% / 6.0%	1% Increase 7.8% / 7.8% / 7.0%
\$5,546,332	\$3,879,290	\$2,497,202

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

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

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

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

At June 30, 2022, the District reported payables to the defined benefit pension plan totaling \$55,517. The balance represents legally required contributions to the pension plan.

Other Post-Employment Benefits

Benefits Provided

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

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

CREATIVE TECHNOLOGIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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

Contributions

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

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2020 valuation will be amortized over a 18-year period beginning October 1, 2020 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2021.

Benefit Structure	Member	Employer	
		Universities	Non-Universities
Premium Subsidy	3.00%	6.91%	8.43%
Personal Healthcare Fund (PHF)	0.00	5.99	7.57

Required contributions to the OPEB plan from the District were \$122,962 for the year ended September 30, 2021.

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

At June 30, 2022, the District reported a liability of \$252,830 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2020. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2021, the District's proportion was .01656402 percent, which was an increase of .0000793 percent from its proportion measured as of October 1, 2020.

CREATIVE TECHNOLOGIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

For the year ended June 30, 2022, the District recognized OPEB expense of \$(118,748). At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected experience	\$ -	\$ 721,684
Changes of assumptions	211,353	31,626
Net difference between projected and actual earnings on OPEB plan investments	-	190,562
Changes in proportion and differences between employer contributions and proportionate share of contributions	59,769	6,509
Employer contributions subsequent to the measurement date	196,655	-
 Total	 <u>\$467,777</u>	 <u>\$950,381</u>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2022	\$(167,984)
2023	(155,123)
2024	(149,748)
2025	(149,249)
2026	(50,523)
Thereafter	(6,632)

Actuarial Assumptions

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions

Valuation Date:	September 30, 2020
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.95% net of investment expenses
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post-65: 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120

CREATIVE TECHNOLOGIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

Mortality:

Retirees: RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Active Members: P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

Other Assumptions:

Opt-Out Assumption 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt-out of the retiree health plan

Survivor Coverage 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death

Coverage Election at Retirement 75% of male and 60% of female future retirees are assumed to elect coverage for one or more dependents

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2018 valuation. The total OPEB liability as of September 30, 2021, is based on the results of an actuarial valuation date of September 30, 2020, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [6.1312 for non-university employers or 1.0000 for university employers]
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2021 MPSERS Comprehensive Annual Financial Report found on the ORS website at www.michigan.gov/orsschools.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2021, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return *</u>
Domestic Equity Pools	25.0%	5.4%
Private Equity Pools	16.0%	9.1%
International Equity Pools	15.0%	7.5%
Fixed Income Pools	10.5%	(0.7)%
Real Estate and Infrastructure Pools	10.0%	5.4%
Absolute Return Pools	9.0%	2.6%
Return Real/Oppportunistic Pools	12.5%	6.1%
Short Term Investment Pools	<u>2.0%</u>	(1.3)%
	100%	

* Long-term rates of return are net of administrative expenses and 2.0% inflation.

CREATIVE TECHNOLOGIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

Rate of Return

For the fiscal year ended September 30, 2021, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 27.14%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

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

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

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

1% Decrease 5.95%	Current Discount Rate 6.95%	1% Increase 7.95%
\$469,803	\$252,830	\$68,697

Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate

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

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$61,537	\$252,830	\$468,057

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

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2021 MPERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

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

At June 30, 2022, the District reported payables to the OPEB plan totaling \$16,667. The balance represents legally required contributions to the OPEB plan.

Defined Contribution Plan

Public Act 75 of 2010 established the Pension Plus plan which provides all individuals hired on or after July 1, 2010, with a combined defined benefit and defined contribution benefit structure. Any member of MPERS who became a member of MPERS on or after July 1, 2010 is or may be a Pension Plus plan member.

CREATIVE TECHNOLOGIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

Public Act 300 of 2012 was signed into law on September 4, 2012 amending the MPSERS system. An employee who first works September 4, 2012 or after joins the MPSERS system as a Pension Plus with Personal Healthcare Fund (PHF) member. Within 75 days of first being reported to the Office of Retirement Services, these employees can elect to become straight defined contribution plan participants. The PHF must be retained with whichever benefit plan they elect. The plan becomes retroactive to their first day.

Employees under the Pension plus plan automatically default with an employee contribution of 2 percent of the employee's pay. The Academy is required to match 50 percent of the employee contribution up to 1 percent. Employees may increase their personal contribution up to the annual IRS limit or can elect out of contributing.

Employees under the straight defined contribution plan automatically default with an employee contribution of 6 percent of the employee's pay. The Academy is required to match 50 percent of the employee contribution up to 3 percent.

Public Act 92 of 2017 establishes a new hybrid plan, and is the default option, for Michigan public school employees who first work on or after February 1, 2018. This plan is similar to the Pension Plus plan established in 2010 (and changed again in 2012) in that it has both a pension and a savings component. Eligibility for pension benefits remains the same as the Pension Plus plan at 60 years old with at least 10 years of service. Contributions are made in the savings component by both the Academy and employee and are deposited into a 401(k) and/or 457 tax deferred account. An employee must affirmatively elect the new hybrid plan to participate. If the employee makes no choice, as mentioned above, the default set by the law means the employee will be enrolled in the defined contribution plan. This new law mandates enhanced contributions for defined contribution participants who first work on or after September 4, 2012 which requires mandatory Academy contributions of 4 percent beginning with the first pay period after October 1, 2017. Beginning on February 2, 2018, the Academy is required to match 100 percent of the contributions made by the employee up to a maximum of 3 percent. Public Act 92 also requires the defined contribution plan to offer one or more fixed and variable annuity options for plan participants.

For the year ended June 30, 2022, Academy and employee contributions were \$41,573 and \$56,749

7. DEBT

The following is a summary of the long-term debt transactions of the Academy for the year ended June 30, 2022:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	Due Within One Year
Governmental Activities					
\$1,206,030 note payable to a bank collateralized by a mortgage on Academy real estate; due in monthly installments of \$9,115 including interest at 4.0% with a final payment due August 2028.	\$671,852	\$ -	\$83,214	\$588,638	\$87,429

CREATIVE TECHNOLOGIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

The outstanding debt is a direct borrowing and contains a provision that in the event of default or the unavailability or insufficiency of funds, the loan is payable from the Academy's unencumbered funds. The Academy has pledged its limited full faith and credit.

The annual requirements to amortize all debt outstanding as of June 30, 2022 are as follows:

	<u>Principal</u>	<u>Interest</u>
2023	\$ 87,429	\$21,954
2024	90,991	18,392
2025	94,698	14,685
2026	98,556	10,827
2027	102,572	6,812
2028-2029	114,392	2,658
Total	<u>\$588,638</u>	<u>\$75,328</u>

8. INTERFUND TRANSFERS

Transfers in and out for the year ended June 30, 2022 totaling \$350,000 were used to move cash from the General fund to the Construction Capital Projects fund for the soccer field project.

9. CONTINGENCIES

Under the terms of various Federal and State grants and regulatory requirements, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants and requirements. Such audits could lead to reimbursement to the grantor or regulatory agencies. However, management believes such disallowances, if any, will not be material to the financial position of the Academy.

10. COMMITMENTS

At year-end the Academy had construction commitments related to a modular classroom construction project totaling approximately \$280,000.

REQUIRED SUPPLEMENTARY INFORMATION

CREATIVE TECHNOLOGIES ACADEMY

**GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2022

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Local sources				
Investment earnings	\$ 4,000	\$ 1,100	\$ 1,108	\$ 8
Fees and charges	11,700	14,634	14,450	(184)
Other	305,852	339,588	343,914	4,326
State sources	2,903,799	3,149,590	3,131,973	(17,617)
Federal sources	298,458	866,476	645,235	(221,241)
Total revenues	<u>3,523,809</u>	<u>4,371,388</u>	<u>4,136,680</u>	<u>(234,708)</u>
Expenditures				
Current				
Instruction				
Basic programs	1,364,269	1,471,912	1,408,557	63,355
Added needs	361,375	478,268	374,412	103,856
Support services				
Pupil service	220,352	270,541	264,275	6,266
Instructional staff	121,923	136,458	107,875	28,583
General administration	235,732	259,274	232,405	26,869
School administration	242,031	287,469	274,096	13,373
Business services	145,299	167,139	161,343	5,796
Operations and maintenance	376,036	428,852	405,694	23,158
Pupil transportation services	15,000	15,000	-	15,000
Central services	211,881	244,777	258,187	(13,410)
Support services other	55,100	59,401	57,610	1,791
Athletics	38,832	41,679	42,051	(372)
Facilities acquisition, construction and improvements	-	384,374	333,285	51,089
Adjustments to prior period revenue	2,000	2,000	-	2,000
Debt service				
Principal	69,200	83,300	83,214	86
Interest	40,143	26,600	26,030	570
Total expenditures	<u>3,499,174</u>	<u>4,357,044</u>	<u>4,029,034</u>	<u>328,010</u>
Revenues over (under) expenditures	24,635	14,344	107,646	93,302
Other financing sources (uses)				
Transfers out	-	(355,566)	(350,000)	5,566
Net changes in fund balance	24,635	(341,222)	(242,354)	98,868
Fund balance, beginning of year	<u>1,127,197</u>	<u>1,127,197</u>	<u>1,127,197</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,151,832</u>	<u>\$ 785,975</u>	<u>\$ 884,843</u>	<u>\$ 98,868</u>

CREATIVE TECHNOLOGIES ACADEMY
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF ACADEMY'S PROPORTIONATE SHARE OF
NET PENSION LIABILITY

FOR THE YEAR ENDED JUNE 30, 2022

	2021	2020	2019	2018	2017	2016	2015	2014
Academy's proportion of the net pension liability (%)	0.016385%	0.016177%	0.015640%	0.015084%	0.014901%	0.014470%	0.014184%	0.013750%
Academy's proportionate share of the net pension liability	\$ 3,879,290	\$ 5,557,061	\$ 5,179,508	\$ 4,534,430	\$ 3,861,490	\$ 3,610,251	\$ 3,646,424	\$ 3,027,732
Academy's covered payroll	1,526,648	1,480,652	1,468,840	1,345,216	1,284,130	1,310,545	1,256,899	1,056,759
Academy's proportionate share of the net pension liability as a percentage of its covered payroll (%)	254.11%	375.31%	352.63%	337.08%	300.71%	275.48%	290.11%	286.51%
Plan fiduciary net position as a percentage of total pension liability	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

Notes to schedule:

Amounts were determined as of September 30 of each fiscal year.

Changes of benefit terms: There were no changes of benefit terms in 2021.

Changes of assumptions: There were no changes of benefit assumptions in 2021.

This schedule is being accumulated prospectively until ten years of data is presented.

CREATIVE TECHNOLOGIES ACADEMY
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF ACADEMY'S PENSION CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 491,989	\$ 444,572	\$ 415,488	\$ 410,732	\$ 349,508	\$ 389,853	\$ 298,546	\$ 213,481
Contributions in relation to statutorily required contributions *	<u>491,989</u>	<u>444,572</u>	<u>415,488</u>	<u>410,732</u>	<u>349,508</u>	<u>389,853</u>	<u>298,546</u>	<u>213,481</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered payroll	\$ 1,569,388	\$ 1,499,051	\$ 1,490,785	\$ 1,451,313	\$ 1,303,270	\$ 1,310,545	\$ 1,256,899	\$ 1,056,759
Contributions as a percentage of covered payroll	31.3%	29.7%	27.9%	28.3%	26.8%	29.7%	23.8%	20.2%

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

Notes to schedule:

Amounts were determined as of June 30 of each fiscal year.

This schedule is being accumulated prospectively until ten years of data is presented.

CREATIVE TECHNOLOGIES ACADEMY
OTHER POST-EMPLOYMENT BENEFITS PLAN
SCHEDULE OF ACADEMY'S PROPORTIONATE SHARE OF
NET OPEB LIABILITY
FOR THE YEAR ENDED JUNE 30, 2022

	2021	2020	2019	2018	2017
Academy's proportion of the net OPEB liability (%)	0.016564%	0.016485%	0.016587%	0.015635%	0.015134%
Academy's proportionate share of the net OPEB liability	\$ 252,830	\$ 883,130	\$ 1,190,605	\$ 1,242,836	\$ 1,340,176
Academy's covered payroll	\$ 1,526,648	\$ 1,480,652	\$ 1,468,840	\$ 1,345,216	\$ 1,284,130
Academy's proportionate share of the net OPEB liability as a percentage of its covered payroll (%)	16.56%	59.64%	81.06%	92.39%	104.36%
Plan fiduciary net position as a percentage of total OPEB liability	87.33%	59.44%	48.46%	42.95%	36.39%

Notes to schedule:

Amounts were determined as of September 30 of each fiscal year.
Changes of benefit terms: There were no changes of benefit terms in 2021.
Changes of assumptions: There were no changes of benefit assumptions in 2021.
This schedule is being accumulated prospectively until ten years of data is presented.

CREATIVE TECHNOLOGIES ACADEMY
OTHER POST-EMPLOYMENT BENEFITS PLAN
SCHEDULE OF ACADEMY'S OPEB CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contributions	\$ 122,962	\$ 116,469	\$ 113,891	\$ 101,488	\$ 117,824
Contributions in relation to statutorily required contributions *	<u>122,962</u>	<u>116,469</u>	<u>113,891</u>	<u>101,488</u>	<u>117,824</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered payroll	\$ 1,569,388	\$ 1,499,051	\$ 1,490,785	\$ 1,451,313	\$ 1,303,270
Contributions as a percentage of covered payroll	7.8%	7.8%	7.6%	7.0%	9.0%

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

Notes to schedule:

Amounts were determined as of June 30 of each fiscal year.
This schedule is being accumulated prospectively until ten years of data is presented.

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INTERNAL CONTROL AND COMPLIANCE



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

October 26, 2022

Members of the Board of Directors
Creative Technologies Academy
Cedar Springs, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Creative Technologies Academy, Cedar Springs, Michigan (the Academy) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated October 26, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Academy's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2022-001 and 2022-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial 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*.

Creative Technology Academy's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Academy's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Academy's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Uredaxeld Haefner LLC

CREATIVE TECHNOLOGIES ACADEMY

SCHEDULE OF FINDINGS AND RESPONSES

FOR THE YEAR ENDED JUNE 30, 2022

2022-001 - material weakness

Condition and Criteria: Significant audit adjustments were necessary during the course of the audit to compile year-end financial statements from the Academy's general ledger balances.

Cause: The Academy did not provide a trial balance for the audit process with all necessary adjustments to prepare financial statements in accordance with generally accepted accounting principles.

Effect: Auditing standards require significant audit adjustments be reported as a material weakness.

Recommendation: The Academy's system of controls should be modified so that the all adjustment necessary to prepare financial statements in accordance with generally accepted accounting principles are recorded on the general ledger.

Management Response: The Academy has implemented the following procedures to minimize the number and extent of proposed audit adjustments with a goal of zero proposed audit adjustments being identified during the audit process. Prior year audit adjustments will be reviewed and considered during the audit preparation process so that audit adjustments are not repeated.

2022-002 - material weakness

Condition and Criteria: Throughout the course of the audit we noted many of the control procedures were not followed or lacked evidence of completion.

Cause: Many invoices lacked documentation of approval, there was no evidence of approval of credit card payments, Payroll is completed by an outside entity but there was no documentation of time sheets or reimbursement requests as they were disposed of. We noted the business manager can both receive payments and make deposits, journal entries are prepared and posted by the business manager with no documented review.

Effect: Incompatible accounting procedures increase the risk of material misstatement of the financial statements.

Recommendation: The Academy's system of controls should be followed and modified as needed so that proper documentation and approvals exist.

Management Response: The Academy will review its internal control procedures, modify as needed, and complete and maintain proper approvals.