# Creative Technologies Academy

**FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT**

**Year Ended June 30, 2019**

# Creative Technologies Academy

## Table of Contents

**June 30, 2019**

**DOUGLAS WOHLBERG, CPA**
Certified Public Accountants

2496 84th Street SW
Byron Center, MI 49315
Phone (616) 583-0094
Fax (866) 569-0725
Email: doug@wohlbergcpa.com

# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Creative Technologies Academy

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major fund of Creative Technologies Academy, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Creative Technologies Academy, as of June 30, 2019, 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.

**Other Matters**

*Required Supplementary Information*

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2019, on our consideration of Creative Technologies 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 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 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 Creative Technology Academy's internal control over financial reporting and compliance.

Douglas Wohlberg, CPA
Byron Center, Michigan
October 13, 2019

# Creative Technologies Academy

## Management's Discussion and Analysis

**For the year ended June 30, 2019**

This section of Creative Technologies Academy's annual financial report presents our discussion and analysis of our financial performance during the year ended June 30, 2019. Please read it in conjunction with our basic financial statements, which immediately follow this section.

### Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Creative Technologies Academy financially as a whole. The Academy-wide financial statements provide information about the activities of our whole Academy, presenting both an aggregate view of our finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term as well as what remains for future spending. The fund financial statements look at our operations in more detail than the Academy-wide financial statements by providing information about our most significant fund, the General Fund.

These financial statements are made up of the following elements:

- Management's Discussion and Analysis (MD&A) which is Required Supplemental Information.
- Basic Financial Statements which include the Academy-wide Financial Statements and the Fund Financial Statements.
- Notes to the Basic Financial Statements.
- Required Supplemental Information which include the Budgetary Information for Major Fund and pension plan information.

### Reporting the Academy as a Whole - Academy-wide Financial Statements

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

These two statements report our net position - the difference between assets and liabilities, as reported in the statement of net position - as one way to measure our financial health or financial position. Over time, increases or decreases in our net position - as reported in the statement of activities - are indicators of whether our financial health is improving or deteriorating. The relationship between revenues and expenses is our operating results. However, our goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of our school, to assess the overall health of our Academy.

The statement of net position and the statement of activities report the governmental activities for our Academy, which encompass all of our services, including instruction, support services, community services, and food services. Unrestricted state aid (foundation allowance revenue) and state and federal grants finance most of these activities.

### Reporting the Academy's Most Significant Funds - Fund Financial Statements

Our fund financial statements provide detailed information about the most significant funds - not our Academy as a whole. Some funds are required to be established by state law and by bond covenants. However, we can establish many other funds to help us control and manage money for particular purposes or to show that we are meeting legal responsibilities for using grants and other money. The governmental funds use the following accounting approach:

Governmental Funds - All of our services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of our Academy and the services we provide. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance our programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in a reconciliation.

### The Academy as a Whole

Recall that the statement of net position provides the perspective of our Academy as a whole. Table 1 provides a summary of net position as of June 30, 2019 and 2018:

**Table 1**

| | | 2019 | | 2018 |
|---|---|---|---|---|
| **Assets** | | | | |
| Current assets | $ | 1,454,224 | $ | 1,070,239 |
| Capital assets | | 2,200,634 | | 2,276,126 |
| Total assets | | 3,654,858 | | 3,346,365 |
| **Deferred outflows of resources** | | 1,738,883 | | 875,287 |
| **Liabilities** | | | | |
| Current liabilities | | 348,704 | | 300,348 |
| Long-term liabilities | | 6,679,442 | | 6,171,828 |
| Total liabilities | | 7,028,146 | | 6,472,176 |
| **Deferred inflows of resources** | | 802,418 | | 409,827 |
| **Net Position** | | | | |
| Net investment in capital assets | | 1,298,458 | | 1,305,964 |
| Unrestricted | | (3,735,281) | | (3,966,315) |
| Total net position | $ | (2,436,823) | $ | (2,660,351) |

The above analysis focuses on the net position (see Table 1). The change in net position (see Table 2) of our Academy's governmental activities is discussed below. Our net position was a deficit of $2,436,823 at June 30, 2019. Capital assets, net of related debt totaling $1,298,458, compares the original cost, less depreciation of our capital assets to long-term debt used to finance the acquisition of those assets. Most of the debt will be repaid from General Fund revenue as the debt service comes due.

The $3,735,281 deficit in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. This deficit is the result of the State of Michigan not funding the defined benefit pension system for school employees state-wide.

# Creative Technologies Academy

## Management's Discussion and Analysis

**For the year ended June 30, 2019**

The results of this year's operations for our Academy as a whole are reported in the statement of activities (Table 2), which shows the changes in net position for fiscal years 2019 and 2018.

**Table 2**

| | 2019 | % of Total | 2018* | % of Total |
|---|---|---|---|---|
| **General Revenues** | | | | |
| State aid, unrestricted | $ 2,463,027 | 71.3 % | $ 2,405,355 | 71.8 % |
| Other | 53,371 | 1.6 % | 307,953 | 9.2 % |
| Total General Revenues | 2,516,398 | 72.9 % | 2,713,308 | 81.0 % |
| **Program Revenues** | | | | |
| Charges for services | 42,369 | 1.2 % | 1,368 | 0.0 % |
| Operating grants - Federal and State | 896,265 | 25.9 % | 635,220 | 19.0 % |
| Total revenues | 3,455,032 | 100.0 % | 3,349,896 | 100.0 % |
| **Expenses** | | | | |
| Instruction | 1,393,923 | 43.1 % | 1,471,434 | 49.7 % |
| Support services | 1,676,293 | 51.9 % | 1,319,036 | 44.5 % |
| Food services | 32,870 | 1.0 % | 42,909 | 1.4 % |
| Interest on long-term debt | 40,416 | 1.3 % | 43,388 | 1.5 % |
| Depreciation (unallocated) | 88,002 | 2.7 % | 85,501 | 2.9 % |
| Total expenses | 3,231,504 | 100.0 % | 2,962,268 | 100.0 % |
| Increase (decrease) in Net Position | $ 223,528 | | $ 387,628 | |

**State of Michigan Aid, Unrestricted**

The State of Michigan aid, unrestricted is determined by the following variables:

a. State of Michigan State Aid Act per student foundation allowance
b. Student Enrollment - Blended at 90% of current year fall count and 10% of prior year winter count

Per Student, Foundation Allowance:

Annually, the State of Michigan sets the per student foundation allowance. The Creative Technologies Academy foundation allowance was $7,871 per pupil for the school year. This was an increase of $240 per pupil over the academy's previous year foundation allowance.

Student Enrollment:

The academy's student blended enrollment for the year was 316 students. The academy's enrollments have generally declined in the past five years. The following summarizes fall student enrollments in the past five years:

| Fiscal Year | Student Membership | Increase (Decrease) Prior Year |
|---|---|---|
| 2018-2019 | 316 | (3) |
| 2017-2018 | 319 | 10 |
| 2016-2017 | 309 | 18 |
| 2015-2016 | 291 | (1) |
| 2014-2015 | 292 | (16) |

Preliminary student enrollments for 2019-2020 indicate that enrollments will be about the same as 2018-2019.

As reported in the statement of activities, the cost of all of our governmental activities this year was $3,231,504. Certain activities were partially funded by those who benefited from the programs, or by other governments and organizations that subsidized certain programs with grants and contributions, such as state restricted revenues or Act 18 Special Education revenue. We paid for the remaining "public benefit" portion of our governmental activities with $2,463,027 in state foundation allowance, and with our other revenues, i.e., interest and general entitlements.

We experienced an increase in net position of $223,528. This occurred largely because of the increase in the student count.

As discussed above, the net cost shows the financial burden that was placed on the Academy by each of these functions. Since unrestricted state aid constitutes the vast majority of our operating revenue sources, the board of directors and administration must annually evaluate our needs and balance those needs with state-prescribed available unrestricted resources.

**The Academy's Funds**

As we noted earlier, we use funds to help us control and manage money for particular purposes. Looking at funds helps the reader consider whether we are being accountable for the resources the State and others provide to us and may provide more insight into our overall financial health.

As we completed this year, the General Fund reported a fund balance of $962,765, which is an increase of $192,874 from last year. This change results primarily from an increase in revenue caused by an increase in per-pupil funding.

General Fund fund balance is available to fund costs related to allowable school operating purposes.

**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 2018-2019 General Fund original budget. Budgeted revenues were increased by approximately $434,000 over the original budget to reflect increases in state and federal revenues. Budgeted expenditures were increased by approximately $340,000 to reflect that student count was higher than anticipated.

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

**Capital Projects Fund**

During the year, the Academy Board established a Construction Fund with the intention to set aside funds for capital projects. The Academy Board approved a transfer from the General Fund to the Construction Fund of $152,000.

### Capital Assets and Debt Administration

### Capital Assets

During the year, the Academy made no significant purchases of capital assets.

As of June 30, 2019, we had $2,200,634 invested in a broad range of capital assets, including land, land improvements, buildings, building improvements, transportation equipment, furniture, and equipment. This amount represents a net decrease (including additions and depreciation) of $75,492.

| | 2019 | 2018 |
|---|---|---|
| Land | $ 360,000 | $ 360,000 |
| Buildings | 1,736,033 | 1,799,342 |
| Land improvements | 13,999 | 16,203 |
| Equipment and furnishings | 55,789 | 69,036 |
| Computers and software | 34,813 | 31,545 |
| Total | $ 2,200,634 | $ 2,276,126 |

No major capital projects are planned for the 2019-2020 fiscal year. We anticipate capital additions will be comparable to the 2018-2019 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

### Debt Administration

The Academy has a commercial real estate loan with Lake Michigan Credit Union. At the end of this year, the balance of that loan was $902,176 versus $970,162 in the previous year - a decrease of $67,986 or approximately 7.0 percent.

| | 2019 | 2018 |
|---|---|---|
| Commercial Real Estate Loan payable to a credit union, collateralized by land and buildings, due in monthly installments of $9,112 through August 2021. The monthly installments include interest at 4.25 percent. A final payment is due on September 21, 2021 of approximately $765,173. | $ 902,176 | $ 970,162 |

We do not have any liabilities for compensated absences. More detailed information about our long-term liabilities is presented in the notes to the financial statements.

### Economic Factors and Next Year's Budgets and Rates

Our board of directors and administration consider many factors when setting the 2020 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 2020 fiscal year is 10 percent and 90 percent of the February 2019 and September 2019 student counts, respectively. The 2020 budget was adopted in June 2019, based on an estimate of students who will be enrolled in September 2019. Approximately 80 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 2020 school year, we anticipate that the fall student count will be close to the estimates used in creating the 2020 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.

### Contacting the Academy's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the Academy's finances. If you have questions about this report or need additional information, contact the Creative Technologies Academy Business Office.

# BASIC FINANCIAL STATEMENTS

# Creative Technologies Academy

## Statement of Net Position

**June 30, 2019**

| | | Governmental Activities |
|---|---|---|
| **ASSETS** | | |
| Cash and investments | $ | 798,768 |
| Receivables, net | | 475 |
| Intergovernmental receivable | | 638,836 |
| Prepaid items | | 16,145 |
| Land | | 360,000 |
| Capital assets less accumulated depreciation of $1,095,658 | | 1,840,634 |
| Total assets | | 3,654,858 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Pension related | | 1,555,516 |
| OPEB healthcare related | | 183,367 |
| Total deferred outflows of resources | | 1,738,883 |
| **LIABILITIES** | | |
| Accounts payable | | 50,801 |
| Accrued and other liabilities | | 149,691 |
| Intergovernmental payable | | 101,107 |
| Unearned revenue | | 47,105 |
| Long-term liabilities: | | |
| Due within one year | | 71,039 |
| Due in more than one year | | 831,137 |
| Net pension liability | | 4,534,430 |
| OPEB healthcare liability | | 1,242,836 |
| Total liabilities | | 7,028,146 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Pension related | | 521,984 |
| OPEB healthcare related | | 280,434 |
| Total deferred inflows of resources | | 802,418 |
| **NET POSITION** | | |
| Net investment in capital assets | | 1,298,458 |
| Unrestricted | | (3,735,281) |
| Total net position | $ | (2,436,823) |

The Notes to Financial Statements are an integral part of this statement.

# Creative Technologies Academy

## Statement of Activities

**For the year ended June 30, 2019**

| | | Program Revenues | | Net (Expense) Revenue and Changes in Net Position |
|---|---|---|---|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Governmental Activities |
| **Functions/Programs:** | | | | |
| Governmental activities: | | | | |
| Instruction | $ 1,393,923 | $ - | $ 879,207 | $ (514,716) |
| Support services | 1,676,293 | 40,652 | 17,058 | (1,618,583) |
| Food service | 32,870 | 1,717 | - | (31,153) |
| Interest on long-term debt | 40,416 | - | - | (40,416) |
| Depreciation (unallocated) | 88,002 | - | - | (88,002) |
| Total governmental activities | $ 3,231,504 | $ 42,369 | $ 896,265 | (2,292,870) |

| | |
|---|---|
| General revenues: | |
| State of Michigan aid, unrestricted | 2,463,027 |
| Unrestricted investment earnings | 2,750 |
| Other revenues | 50,621 |
| Total general revenues | 2,516,398 |
| Change in net position | 223,528 |
| Net position-beginning-restated | (2,660,351) |
| Net position-ending | $ (2,436,823) |

The Notes to Financial Statements are an integral part of this statement.

# Creative Technologies Academy

## Governmental Funds

## Balance Sheet

**June 30, 2019**

| | General | Nonmajor Fund Construction | Total Governmental Funds |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and investments | $ 656,013 | $ 142,755 | $ 798,768 |
| Receivables | 475 | - | 475 |
| Intergovernmental receivable | 638,836 | - | 638,836 |
| Prepaid items | 16,145 | - | 16,145 |
| Total assets | $ 1,311,469 | $ 142,755 | $ 1,454,224 |
| **LIABILITIES** | | | |
| Accounts payable | $ 50,801 | $ - | $ 50,801 |
| Salaries payable | 149,691 | - | 149,691 |
| Unearned revenue | 47,105 | - | 47,105 |
| Intergovernmental payable | 101,107 | - | 101,107 |
| Total liabilities | 348,704 | - | 348,704 |
| **FUND BALANCES** | | | |
| Nonspendable: | | | |
| Prepaid items | 16,145 | - | 16,145 |
| Committed: | | | |
| Capital projects | - | 142,755 | 142,755 |
| Unassigned | 946,620 | - | 946,620 |
| Total fund balances | 962,765 | 142,755 | 1,105,520 |
| Total liabilities and fund balances | $ 1,311,469 | $ 142,755 | $ 1,454,224 |

The Notes to Financial Statements are an integral part of this statement.

# Creative Technologies Academy

## Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

**June 30, 2019**

| | | |
|---|---|---|
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Total fund balances - governmental funds | $ | 1,105,520 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | 2,200,634 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. Balances at June 30, 2019 were: | | |
| Commercial real estate loan | | (902,176) |
| Net pension liability | | (4,534,430) |
| OPEB healthcare liability | | (1,242,836) |
| Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the funds: | | |
| Deferred outflows of resources: | | |
| Pension related | | 1,555,516 |
| OPEB healthcare related | | 183,367 |
| Deferred inflows of resources: | | |
| Pension related | | (521,984) |
| OPEB healthcare related | | (280,434) |
| Net position of governmental activities | $ | (2,436,823) |

The Notes to Financial Statements are an integral part of this statement.

# Creative Technologies Academy

## Governmental Funds

## Statement of Revenues, Expenditures and Changes in Fund Balances

**For the year ended June 30, 2019**

| | General | Nonmajor Fund Construction | Total Governmental Funds |
|---|---|---|---|
| **REVENUES** | | | |
| Local sources | $ 117,727 | $ 8,965 | $ 126,692 |
| State sources | 2,951,258 | - | 2,951,258 |
| Federal sources | 219,402 | - | 219,402 |
| Incoming transfers and other transactions | 157,680 | - | 157,680 |
| Total revenues | 3,446,067 | 8,965 | 3,455,032 |
| **EXPENDITURES** | | | |
| Current: | | | |
| Instruction | 1,473,713 | - | 1,473,713 |
| Support services | 1,518,137 | - | 1,518,137 |
| Debt service: | | | |
| Principal | 68,927 | - | 68,927 |
| Interest | 40,416 | - | 40,416 |
| Capital outlay | - | 18,210 | 18,210 |
| Total expenditures | 3,101,193 | 18,210 | 3,119,403 |
| Excess (deficiency) of revenues over expenses | 344,874 | (9,245) | 335,629 |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Operating transfer in | - | 152,000 | 152,000 |
| Operating transfer out | (152,000) | - | (152,000) |
| Total other financing sources (uses) | (152,000) | 152,000 | - |
| Net change in fund balances | 192,874 | 142,755 | 335,629 |
| Fund balances-beginning | 769,891 | - | 769,891 |
| Fund balances-ending | $ 962,765 | $ 142,755 | $ 1,105,520 |

The Notes to Financial Statements are an integral part of this statement.

# 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, 2019**

Amounts reported for governmental activities in the statement of activities are different because:

| | | |
|---|---|---|
| Net change in fund balances - total governmental funds | $ | 335,629 |
| Governmental funds report capital outlays as expenditures. However, in the statements of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded depreciation expense in the current period. | | (75,492) |
| Repayments of the commercial real estate loan principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt). | | 67,986 |
| Governmental funds report pension contributions as expenditures. However, in the statements of activities, the pension expense is determined by the pension plan. This is the amount by which the pension expense exceeded the contributions. | | (139,617) |
| Governmental funds report OPEB healthcare contributions as expenditures. However, in the statements of activities, the OPEB healthcare expense is determined by the plan. This is the amount by which the OPEB healthcare expense exceeded the contributions. | | 35,022 |
| Change in net position of governmental activities | $ | 223,528 |

The Notes to Financial Statements are an integral part of this statement.

# Creative Technologies Academy

## Fiduciary Fund

## Statement of Assets and Liabilities

**June 30, 2019**

| | | Agency Fund |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ | 12,163 |
| | | |
| **LIABILITIES** | | |
| Due to student groups | $ | 12,163 |

The Notes to Financial Statements are an integral part of this statement.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Creative Technologies Academy (the "Academy") is located in Kent County. The Academy was formed as a charter school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994.

On July 1, 2007, the Academy renewed a seven-year contract with the Ferris State University Board of Trustees to charter a public school academy. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state aid funds pursuant to the State Constitution. The Ferris State University Board of Trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy's compliance with the contract and all applicable laws. The Academy pays the Ferris State University Board of Trustees 3 percent of the state aid foundation allowance as administrative fees. The total administrative fees for the year ended June 30, 2019 paid to the Ferris State University Board of Trustees were approximately $74,000.

The accounting policies of Creative Technologies Academy conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Academy.

### A. Reporting Entity

The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational or financial relationships with the Academy. Based on application of the criteria, the Academy does not contain component units.

### B. Academy-wide and Fund Financial Statements

The academy-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, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. All of the Academy's academy-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly 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. Intergovernmental payments and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the academy-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.The Academy has one fiduciary fund, the Agency Fund.

## C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The academy-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, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The agency fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Revenues are recognized in the accounting period in which they become susceptible to accrual; that is, when they become both measurable and available to finance expenditures of the fiscal period. Unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Academy.

The Academy reports the following major governmental funds:

The General Fund is the Academy's primary operating fund. It accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

Additionally, the Academy reports the following fund type:

Fiduciary funds are used to account for assets held by the Academy in a trustee capacity for individuals or school-related organizations. The Agency Fund is custodial in nature and does not involve measurement of results of operations.

The Construction Fund accounts for funds set aside for future projects.

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

When both restricted and unrestricted resources are available for use, it is the Academy's policy to use restricted resources first, then unrestricted resources as they are needed.

## D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Bank Deposits and Investments

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

Receivables and Payables

All trade receivables are shown as net of allowance for uncollectible amounts. The Academy considers all receivables to be fully collectible; accordingly, no allowance for uncollectible amounts is recorded.

Prepaid Items

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

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the academy-wide financial statements. Capital assets are defined by the Academy as assets with an initial, individual cost of more than $10,000. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized. The Academy does not have infrastructure-type assets.

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

| Capital Asset Classes | Lives |
|---|---:|
| Buildings and improvements | 20-50 years |
| Land improvements | 20 years |
| Transportation equipment | 20 years |
| Furniture and other equipment | 5-20 years |
| Computers and software | 5 years |

Deferred Outflows/Inflows of Resources

In addition to assets, the statements 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 Academy has two items that qualify for reporting in this category. They are pension related items and OPEB healthcare related items.

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 District has two items that qualify for reporting in this category. They are pension related items and OPEB healthcare related items.

Long-term Obligations

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

Use of Estimates

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

Net Position and Fund Balances

The difference between fund assets and liabilities is "Net Position" on the academy-wide statement and "Fund Balances" on governmental fund statements. Net Position are classified as "Net investment in capital assets," legally "Restricted" for a specific purpose, or "Unrestricted" and available for appropriation for the general purposes of the fund. In governmental fund financial statements, fund balances are classified as follows:

- Nonspendable--Amounts that cannot be spent either because they are (a) not in spendable form; or (b) legally or contractually required to be maintained intact.
- Restricted--Amounts with constraints placed on the use of resources because they are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed--Amounts that can be used only for specific purposes determined by a formal action by Board of Directors resolution, and that remain binding unless removed in the same manner.
- Assigned--Amounts neither restricted nor committed for which an Academy has a stated intended use as established by the Board of Directors or a body or official to which the Board of Directors has delegated the authority to assign amounts for specific purposes.
- Unassigned--Amounts that cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Academy's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Academy's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications - committed and then assigned fund balances before using unassigned fund balances.

Comparative Data/Reclassifications

Comparative data is not included in the Academy's financial statements.

## E. Revenues and Expenditures/Expenses

Program Revenues

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

## F. 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 (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.

## G. Postemployment Benefits Other Than Pensions

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (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.

## NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and State law for the General Fund. All annual appropriations lapse at fiscal year end.

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

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts, etc.) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

## NOTE 3 - DEPOSITS AND INVESTMENTS

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

Deposits are carried at cost. The investment policy adopted by the Board, in accordance with Public Act 20 of 1943, as amended, has authorized investment in the instruments described in the preceding paragraph. The Academy's deposits and investment policy are in accordance with statutory authority.

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

| | Governmental Activities | Fiduciary Funds | Total Primary Government |
|---|---|---|---|
| Cash and investments | $ 798,768 | $ 12,163 | $ 810,931 |

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy does not have a deposit policy for custodial credit risk of bank deposits. At year end, the bank balance of the Academy's deposits (checking and money market funds) is $851,511, of that balance $334,536 is insured by Federal depository insurance and the National Credit Union Administration.

Fair Value Hierarchy

The Academy categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The Academy owns no investments subject to the fair value measurement.

## NOTE 4 - CAPITAL ASSETS

Capital asset activity of the Academy's governmental activities, for the year ended June 30, 2019, was as follows:

| Governmental Activities | Beginning Balance | Additions | Disposals | Ending Balance |
|---|---|---|---|---|
| Capital assets, not being depreciated: | | | | |
| Land | $ 360,000 | $ - | $ - | $ 360,000 |
| Capital assets, being depreciated: | | | | |
| Buildings | 2,566,085 | - | 5,706 | 2,560,379 |
| Land improvements | 69,985 | - | 25,900 | 44,085 |
| Equipment and furnishings | 269,078 | - | 5,905 | 263,173 |
| Computers and software | 56,145 | 12,510 | - | 68,655 |
| Total capital assets being depreciated | 2,961,293 | 12,510 | 37,511 | 2,936,292 |
| Less accumulated depreciation for: | | | | |
| Buildings | 766,743 | 63,309 | 5,706 | 824,346 |
| Land improvements | 53,782 | 2,204 | 25,900 | 30,086 |
| Equipment and furnishings | 200,042 | 13,247 | 5,905 | 207,384 |
| Computers and software | 24,600 | 9,242 | - | 33,842 |
| Total accumulated depreciation | 1,045,167 | 88,002 | 37,511 | 1,095,658 |
| Total capital assets being depreciated, net | 1,916,126 | (75,492) | - | 1,840,634 |
| Governmental activities capital assets, net | $ 2,276,126 | $ (75,492) | $ - | $ 2,200,634 |

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

## NOTE 5 - INTERFUND TRANSFERS

For the year then ended, interfund transfers consisted of the following:

| | Transfer In: Construction Fund |
|---|---|
| Transfers out: | |
| General Fund | $ 152,000 |

During the year the Academy Board set aside funds for future construction projects by transferring $152,000 from the General Fund to the Construction Fund.

## NOTE 6 - LONG-TERM DEBT

The Academy issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General Obligation Bonds are direct obligations and pledge the full faith and credit of the Academy.

The following is a summary of long-term debt transactions for the year ended June 30, 2019:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Governmental activities | | | | | |
| Commercial Real Estate Loan | $ 970,162 | $ - | $ 67,986 | $ 902,176 | $ 71,039 |

The annual requirement to amortize long-term debt outstanding, as of June 30, 2019, follows:

| Year ended June 30, | Governmental Activities | | |
|---|---|---|---|
| | Principal | Interest | Total |
| 2020 | $ 71,039 | $ 38,304 | $ 109,343 |
| 2021 | 74,228 | 35,115 | 109,343 |
| 2022 | 756,909 | 8,264 | 765,173 |
| Totals | $ 902,176 | $ 81,683 | $ 983,859 |

Long-term bond obligations were comprised of the following:

| | |
|---|---|
| School Building and Site Bonds, collateralized by land and buildings, due in monthly installments of $9,112 through August 2021. The monthly installments include interest at 4.25 percent. A final payment is due on September 21, 2021 of approximately $765,173. | $ 902,176 |

## NOTE 7 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Academy has purchased commercial insurance for all claims. Settled claims relating to the commercial insurance did not exceed the amount of insurance coverage in any of the past three fiscal years.

## NOTE 8 - RECEIVABLES

Receivables at June 30, 2019 consist of the following:

| | | |
|---|---|---|
| Deposits | $ | 475 |
| Federal | | 75,353 |
| State | | 526,008 |
| Intermediate School District | | 37,475 |
| Total | $ | 639,311 |

## NOTE 9 - UNEARNED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

| | Unavailable | Unearned |
|---|---|---|
| General Fund | $ - | $ 47,105 |

## NOTE 10 - SUBSEQUENT EVENTS

Management evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected or disclosed in the financial statements. Such evaluation was performed through October 13, 2019, the date the financial statements were approved for issuance. There were no subsequent events that should be accounted for or require disclosure in the accompanying financial statements.

## NOTE 11 - PENSION PLAN

**General Information about the Michigan Public School Employees' Retirement System (MPSERS) pension plan**

**Plan Description**

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

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

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

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

**Benefits Provided**

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits for 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, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for the fiscal year ended September 30, 2018.

**Pension Contribution Rates**

| Benefit Structure | Member | Employer Universities | Employer Non-Universities |
|---|---|---|---|
| Basic | 0.0 - 4.0 % | 24.47 % | 17.89 % |
| Member Investment Plan | 3.0 - 7.0 % | 24.47 % | 17.89 % |
| Pension Plus | 3.0 - 6.4 % | N/A | 16.61 % |
| Pension Plus 2 | 6.2 % | N/A | 19.74 % |
| Defined Contribution | 0.0 % | 19.60 % | 13.54 % |

Required contributions to the pension plan from the district were $410,732 for the year ended September 30, 2018.

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

At June 30, 2019, the district reported a liability of $4,534,430 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2017. 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, 2018, the district's proportion was 0.01508369 percent, which was an increase of 1.21097689 percent from its proportion measured as of September 30, 2017.

For the year ended June 30, 2019, the district recognized pension expense of $634,091. At June 30, 2019, 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 expected and actual experience | $ 21,041 | $ 32,951 |
| Changes of assumptions | 1,050,170 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 310,040 |
| Changes in proportion and differences between district contributions and proportionate share of contributions | 131,601 | 6,008 |
| District contributions subsequent to the measurement date | 352,704 | 172,985 |
| Total | $ 1,555,516 | $ 521,984 |

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Deferred (Inflows) and Deferred Outflows of Resources by Year (To Be Recognized in Future Pension Expenses)**

| Year Ending September 30 | | Amount |
|---|---|---|
| 2019 | $ | 356,306 |
| 2020 | | 259,297 |
| 2021 | | 172,259 |
| 2022 | | 65,951 |

**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, 2017 |
| Actuarial Cost Method | | Entry Age, Normal |
| Wage Inflation Rate: | | 2.75% |
| Investment Rate of Return | | |
| - MIP and Basic Plans | | 7.05% |
| - Pension Plus Plan | | 7.00% |
| - Pension Plus 2 Plan | | 6.00% |
| Projected Salary Increases: | | 2.75 - 11.55%, including wage inflation at 2.75% |
| Cost-of-Living Pension Adjustments: | | 3% Annual Non-Compounded for MIP Members |
| Mortality: | Retirees: | RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006. |
| | Active Members: | P-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006. |

*Notes:*

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.5304 for non-university employers.
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2018 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 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, 2017, are summarized in the following table:

| Asset Class | Target Allocation | Long Term Expected Real Rate of Return* |
|---|---|---|
| Domestic Equity Pools | 28.0 % | 5.7 % |
| Private Equity Pools | 18.0 | 9.2 |
| International Equity | 16.0 | 7.2 |
| Fixed Income Pools | 10.5 | 0.5 |
| Real Estate and Infrastructure Pools | 10.0 | 3.9 |
| Absolute Return Pools | 15.5 | 5.2 |
| Short Term Investment Pools | 2.0 | - |
| Total | 100.0 | |

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

### Rate of Return

For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was 11.11%. 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 7.05% was used to measure the total pension liability (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 7.05% (7.0% for the Pension Plus plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the district's proportionate share of the net pension liability calculated using the discount rate of 7.05% (7.0% for the Hybrid 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<br>6.05% / 6.0% / 5.0% | Current Single Discount Rate Assumption<br>7.5% / 7.0% / 6.0% | 1% Increase<br>8.05% / 8.0% /7.0% |
|---|---|---|
| $ 5,953,356 | $ 4,534,430 | $ 3,355,532 |

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

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

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

## NOTE 12 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

**General Information about the Michigan Public School Employees' Retirement System (MPSERS) OPEB plan**

**Plan Description**

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

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

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

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

**Benefits Provided**

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

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

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

**Contributions**

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

Employer OPEB contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2017 valuation will be amortized over a 21-year period beginning October 1, 2017 and ending September 30, 2038.

The schedule below summarizes OPEB contribution rates in effect for fiscal year 2018.

**OPEB Contribution Rates**

| | | Employer | |
|---|---|---|---|
| **Benefit Structure** | **Member** | **Universities** | **Non-Universities** |
| Premium Subsidy | 3.00 % | 7.67 % | 6.44 % |
| Personal Healthcare Fund (PHF) | 0.00 % | 7.42 % | 6.13 % |

Required contributions to the OPEB plan from the district were $101,488 for the year ended September 30, 2018.

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

At June 30, 2019, the district reported a liability of $1,242,836 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2017. 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, 2018, the district's proportion was 0.00015635 percent, which was a decrease of 3.20434922 percent from its proportion measured as of October 1, 2017.

For the year ended June 30, 2018, the district recognized OPEB expense of $68,610. At June 30, 2018, the district reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ - | $ 231,324 |
| Changes of assumptions | 131,617 | - |
| Net difference between projected and actual earnings on OPEB plan investments | - | 47,765 |
| Changes in proportion and differences between district contributions and proportionate share of contributions | 37,848 | 1,345 |
| District contributions subsequent to the measurement date | 13,902 | - |
| Total | $ 183,367 | $ 280,434 |

Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Deferred (Inflows) and Deferred Outflows of Resources by Year (To Be Recognized in Future OPEB Expenses) | | |
|---|---|---|
| **Year Ending September 30** | | **Amount** |
| 2019 | $ | (28,478) |
| 2020 | | (28,478) |
| 2021 | | (28,478) |
| 2022 | | (18,749) |
| 2023 | | (6,786) |

**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, 2017 |
| Actuarial Cost Method | | Entry Age, Normal |
| Wage Inflation Rate: | | 2.75% |
| Investment Rate of Return: | | 7.15% |
| Projected Salary Increases: | | 2.75 - 11.55%, including wage inflation at 2.75% |
| Healthcare Cost Trend Rate: | | 7.5% Year 1 graded to 3.0% Year 12 |
| Mortality: | Retirees: | RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006. |
| | Active Members: | RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006. |
| Other Assumptions: | | |
| Opt-Out Assumptions | | 21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan |
| Survivor Coverage | | 80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death |
| Coverage Election at Retirement | | 75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents. |

*Notes:*

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2017 valuation. The total OPEB liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [5.6018 for non-university employers or 1.3472 for university employers].
- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2018 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, 2017, are summarized in the following table:

| Asset Class | Target Allocation | Long Term Expected Real Rate of Return* |
|---|---|---|
| Domestic Equity Pools | 28.0 % | 5.7 % |
| Private Equity Pools | 18.0 | 9.2 |
| International Equity | 16.0 | 7.2 |
| Fixed Income Pools | 10.5 | 0.5 |
| Real Estate and Infrastructure Pools | 10.0 | 3.9 |
| Absolute Return Pools | 15.5 | 5.2 |
| Short Term Investment Pools | 2.0 | - |
| Total | 100.0 | |

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

### Rate of Return

For the fiscal year ended September 30, 2018, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was 10.75%. 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 7.15% 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 7.15%. 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 7.15%, 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 6.15% | Current Discount Rate 7.15% | 1% Increase 8.15% |
|---|---|---|
| $ 1,491,999 | $ 1,242,836 | $ 1,033,259 |

**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 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-point higher:

| 1% Decrease | Current Healthcare Cost Trend Rate | 1% Increase |
|---|---|---|
| $ 1,022,219 | $ 1,242,836 | $ 1,495,929 |

**OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2018 MPSERS CAFR, available on the ORS website at www.michigan.gov/orsschools.

# REQUIRED SUPPLEMENTAL INFORMATION

# Creative Technologies Academy

## General Fund

## Budgetary Comparison Schedule

**For the year ended June 30, 2019**

| | Budgeted Amounts | | | |
|---|---|---|---|---|
| | Original | Final | Actual | Variance with Final Budget |
| **REVENUES** | | | | |
| Local sources | $ 37,770 | $ 90,745 | $ 117,727 | $ 26,982 |
| State sources | 2,736,210 | 2,949,259 | 2,951,258 | 1,999 |
| Federal sources | 95,666 | 233,293 | 219,402 | (13,891) |
| Interdistrict sources | 138,000 | 172,330 | 157,680 | (14,650) |
| Total revenues | 3,007,646 | 3,445,627 | 3,446,067 | 440 |
| Current: | | | | |
| Instruction: | | | | |
| Basic programs | 1,135,631 | 1,253,239 | 1,185,870 | 67,369 |
| Added needs | 292,726 | 314,953 | 287,843 | 27,110 |
| Support services: | | | | |
| Pupil services | 63,658 | 163,745 | 154,394 | 9,351 |
| Instructional staff services | 176,926 | 231,905 | 210,809 | 21,096 |
| General administration | 240,135 | 242,000 | 232,843 | 9,157 |
| School administration | 228,136 | 219,937 | 213,569 | 6,368 |
| Business services | 95,410 | 96,711 | 94,126 | 2,585 |
| Operations and maintenance | 320,317 | 337,050 | 335,161 | 1,889 |
| Pupil transportation | 17,250 | 19,700 | 13,057 | 6,643 |
| Central support services | 179,983 | 202,224 | 191,843 | 10,381 |
| Student activities | 5,000 | 7,000 | 6,016 | 984 |
| Athletics | 23,403 | 34,173 | 33,449 | 724 |
| Food service | 50,000 | 45,000 | 32,870 | 12,130 |
| Debt service: | | | | |
| Principal | 65,350 | 68,927 | 68,927 | - |
| Interest | 44,000 | 40,416 | 40,416 | - |
| Total expenditures | 2,937,925 | 3,276,980 | 3,101,193 | 175,787 |
| Excess (deficiency) of revenues over expenditures | 69,721 | 168,647 | 344,874 | 176,227 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Operating transfers out | - | (152,000) | (152,000) | - |
| Net change in fund balance | 69,721 | 16,647 | 192,874 | 176,227 |
| Fund balance-beginning | 769,891 | 769,891 | 769,891 | - |
| Fund balance-ending | $ 839,612 | $ 786,538 | $ 962,765 | $ 176,227 |

# Creative Technologies Academy

## Pension Plan Required Supplemental Information

**June 30, 2019**

**Schedule of the Reporting Unit's Proportionate Share of the Net Pension Liability**
**Michigan Public Schools Employees Retirement Plan**
**Last 10 Fiscal Years (Amounts were determined as of 9/30 of each fiscal year)**

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Reporting unit's proportion of net pension liability (%) | 0.00015084 % | 0.00014901 % | 0.00014470 % | 0.00014184 % | 0.00013750 % |
| Reporting unit's proportionate share of net pension liability | $ 4,534,430 | $ 3,861,490 | $ 3,610,251 | $ 3,646,424 | $ 3,027,732 |
| Reporting unit's covered employee payroll | $ 1,345,216 | $ 1,284,130 | $ 1,310,545 | $ 1,256,899 | $ 1,056,759 |
| Reporting unit's proportionate share of net pension liability as a percentage of its covered employee payroll (%) | 337.08 % | 300.71 % | 275.48 % | 290.11 % | 286.51 % |
| Plan fiduciary net position as a percentage of total pension liability | 62.36 % | 64.21 % | 63.27 % | 66.20 % | 66.20 % |

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

| | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|
| Statutorily required contributions | $ 410,732 | $ 349,508 | $ 389,853 | $ 298,546 | $ 213,481 |
| Contributions in relation to statutorily required contributions | 410,732 | 349,508 | 389,853 | 298,546 | 213,481 |
| Contribution deficiency (excess) | - | - | - | - | - |
| Reporting units covered-employee payroll | $ 1,451,313 | $ 1,303,270 | $ 1,310,545 | $ 1,256,899 | $ 1,056,759 |
| Contributions as a percentage of covered-employee payroll | 28.30 % | 26.82 % | 29.75 % | 23.75 % | 20.20 % |

**Notes to Required Supplementary Information**

Changes of benefit terms: There were no changes of benefit terms during the plan year ending 2018.

Changes of assumptions: Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2017 valuation. The total pension liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study.

# Creative Technologies Academy

## OPEB Healthcare Plan Required Supplemental Information

**June 30, 2019**

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

| | 2018 | 2017 |
|---|---|---|
| District's proportion of net OPEB liability (%) | 0.00015635 % | 0.00015134 % |
| District's proportionate share of net OPEB liability | $ 1,242,836 | $ 1,340,176 |
| District's covered payroll (OPEB) | $ 1,345,216 | $ 1,284,130 |
| District's proportionate share of net OPEB liability as a percentage of its covered employee payroll (%) | 92.39 % | 104.36 % |
| Plan fiduciary net position as a percentage of total OPEB liability | 62.36 % | 64.21 % |

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

| | 2019 | 2018 |
|---|---|---|
| Statutorily required contributions | $ 13,901 | $ 10,373 |
| Contributions in relation to statutorily required contributions | 13,901 | 10,373 |
| Contribution deficiency (excess) | - | - |
| District's covered-employee payroll | $ 1,451,313 | $ 1,303,270 |
| Contributions as a percentage of covered-employee payroll | 0.96 % | 0.80 % |

**Notes to Required Supplementary Information**

Changes of benefit terms: There were no changes of benefit terms during the plan year ending 2018.

Changes of assumptions: 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, 2017 valuation. The total OPEB liability as of September 30, 2018, is based on the results of an actuarial valuation date of September 30, 2017, and rolled forward using generally accepted actuarial procedures, including the experience study.

# AUDITORS' REPORTS

**DOUGLAS WOHLBERG, CPA**
Certified Public Accountants

2496 84th Street SW
Byron Center, MI 49315
Phone (616) 583-0094
Fax (866) 569-0725
Email: doug@wohlbergcpa.com

October 13, 2019

To the Board of Directors
Creative Technologies Academy

We have audited the financial statements of the governmental activities and the major fund of Creative Technologies Academy for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 8, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Creative Technologies Academy are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Estimates have been used to calculate the net pension and net OPEB liabilities. We evaluated the key factors and assumptions used to develop the net pension and net OPEB liabilities in determining that they are reasonable in relation to the financial statements taken as a whole.

Management's estimates of the useful lives of capital assets which is based on previous history, management's estimate of the accrued compensated absences is based on current contracts, rates and policies regarding payment of these benefits, the net pension liability, and the OPEB Healthcare liability which are based on an actuarial valuation of the entire Michigan Public School Employees Retirement System. We evaluated key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

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

*Corrected and Uncorrected Misstatements*

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

*Disagreements with Management*

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

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 13, 2019.

*Management Consultations with Other Independent Accountants*

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

*Other Audit Findings or Issues*

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

Other Matters

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

This information is intended solely for the use of the Board of Directors and management of Creative Technology Academy and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Douglas Wohlberg, CPA
Byron Center, Michigan

**DOUGLAS WOHLBERG, CPA**
Certified Public Accountants

2496 84th Street SW
Byron Center, MI 49315
Phone (616) 583-0094
Fax (866) 569-0725
Email: doug@wohlbergcpa.com

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

To the Board of Directors
Creative Technologies Academy

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 and the major fund, of Creative Technologies Academy, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Creative Technologies Academy's basic financial statements and have issued our report thereon dated October 13, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Creative Technologies Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Creative Technologies Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Creative Technologies 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

**INDEPENDENT AUDITOR'S 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* (continued)**

**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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,

Douglas Wohlberg, CPA
Byron Center, Michigan
October 13, 2019

**DOUGLAS WOHLBERG, CPA**
Certified Public Accountants

2496 84th Street SW
Byron Center, MI 49315
Phone (616) 583-0094
Fax (866) 569-0725
Email: doug@wohlbergcpa.com

We did not issue a management letter for Creative Technologies Academy for the year ended June 30, 2019.