bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

WILDWOOD ENVIRONMENTAL ACADEMY
LUCAS COUNTY

REGULAR AUDIT

For the Year Ended June 30, 2017
Fiscal Year Audited Under GAGAS: 2017

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www.bhmcpagroup.com

Dave Yost · Auditor of State

Governing Board
Wildwood Environmental Academy
2125 University Park Drive
Okemos, Michigan 48864

We have reviewed the *Independent Auditor's Report* of the Wildwood Environmental Academy, Lucas County, prepared by BHM CPA Group, Inc., for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Wildwood Environmental Academy is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

March 29, 2018

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WILDWOOD ENVIRONMENTAL ACADEMY
YEAR ENDED JUNE 30, 2017

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Independent Auditor's Report

Wildwood Environmental Academy
Lucas County
2125 University Park Drive
Okemos, Michigan 48864

To the Governing Board:

Report on the Financial Statements

We have audited the accompanying financial statements of Wildwood Environmental Academy, Lucas County, Ohio (the Academy), as of and for the year ended June 30, 2017, 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 preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Academy's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Academy's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wildwood Environmental Academy, Lucas County, Ohio, as of June 30, 2017, and the changes in its financial position and its cash flows for the year then ended in accordance with the 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 this presentation to include *Management's discussion and analysis*, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 9, 2018, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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 the Academy's internal control over financial reporting and compliance.

BHM CPA Group

BHM CPA Group
Piketon, Ohio
February 9, 2018

The management's discussion and analysis of Wildwood Environmental Academy's financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the academy's financial performance as a whole; readers should review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

The management's discussion and analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standard Board (GASB) in its Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Government*, issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

In 2017,

- Total net position was ($3,542,799).
- Total assets were $222,348.
- Deferred outflows of resources were $1,193,654.
- Total liabilities were $4,950,822.
- Deferred inflows of resources were $7,979.

Using this Annual Report

This report includes the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a statement of net position, a statement of revenues, expenses, and change in net position, and a statement of cash flows.

The Statement of Net Position and Statement of Revenues, Expenses, and Change in Net Position reflect how the Academy did financially during fiscal year 2017. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's net position and change in net position. This change in net position is important because it tells the reader whether the financial position of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not.

This report also includes required supplementary information concerning the Academy's net pension liability, and notes to the required supplementary information.

The Academy uses enterprise presentation for all of its activities.

Statement of Net Position

Table I provides a summary of the Academy's net position for fiscal years 2017 and 2016:

TABLE 1	**Governmental Activities**	
	June 30	
	2017	2016
Assets		
Current assets	$ 184,570	$ 210,009
Noncurrent assets	7,042	7,042
Capital assets - net	30,736	65,493
Total assets	222,348	282,544
Deferred Outflows of Resources		
Pension	1,193,654	660,793
Liabilities		
Current liabilities	356,552	542,390
Noncurrent liabilities		
Due in more than one year		
Capital lease	-	1,490
Net pension liability	4,594,270	3,631,507
Total noncurrent liabilities	4,594,270	3,632,997
Total liabilities	4,950,822	4,175,387
Deferred Inflows of Resources		
Pension	7,979	196,384
Net Position		
Invested in capital assets–net of related debt	29,246	59,771
Unrestricted (deficit)	(3,572,045)	(3,488,205)
Total net position (deficit)	$(3,542,799)	$(3,428,434)

Statement of Net Position (continued)

During 2015, the Academy adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27," which significantly revised accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Academy's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the standards required by GASB 68, the net pension liability equals the Academy's proportionate share of each plan's collective:

1. present value of estimated future pension benefits attributable to active and inactive employees' past service
2. minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits and the promise of a future pension. GASB noted that the unfunded portion of the pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of this exchange. However, the Academy is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

Statement of Net Position (continued)

In accordance with GASB 68, the Academy's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

Total net position for the Academy decreased $114,365. Accounts receivable decreased $29,530 due to the collection of eRate rebates accrued in the previous year and fewer accruals in the current year. Intergovernmental receivables decreased $35,744 due to decreased uncollected child nutrition and other federal funds at year end. Net capital assets decreased $34,757 strictly due to depreciation. No capital additions were recorded in 2017. Contracts payable decreased $257,181 due to the collection of prior year management fees.

In order to further understand what makes up the change in net position for the current year, the table on the following page gives readers further details regarding the results of activities for 2017 and 2016.

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Change in Net Position

Table 2 shows the changes in net position for fiscal years 2017 and 2016, as well as a listing of revenues and expenses.

TABLE 2

	Governmental Activities	
	For the year ended June 30	
	2017	2016
Operating Revenues		
Foundation payments	$ 2,920,110	$ 2,654,732
Food services	19,597	13,643
Other revenues	82,982	115,896
Total operating revenues	3,022,689	2,784,271
Operating Expenses		
Salaries	1,617,578	1,506,340
Fringe benefits	758,645	470,756
Other purchased services	1,199,493	1,117,378
Materials and supplies	122,857	106,348
Depreciation (unallocated)	34,757	36,839
Other expenses	78,877	49,565
Total operating expenses	3,812,207	3,287,226
Operating Loss	(789,518)	(502,955)
Nonoperating Revenues and Expenses		
Federal grants	438,729	425,753
State grants	237,247	163,067
Contributions and donations	50	500
Special assessments	(572)	(282)
Interest and fiscal charges	(301)	(640)
Prior year expenses	-	(2,233)
Total nonoperating revenues and expenses	675,153	586,165
Increase (decrease) in net position	(114,365)	83,210
Net position beginning of year	(3,428,434)	(3,511,644)
Net position end of year	$ (3,542,799)	$ (3,428,434)

Change in Net Position (continued)

Net position decreased $114,365. Decrease in other revenues of $32,914 is due to reduced eRate rebates. Increases in salaries of $111,238 and benefits of $287,889 is due partly to increased student count and partly due to increased pension costs that are beyond the Academy's control.

Capital Assets

At the end of fiscal year 2017, the Academy had $30,736 invested in furniture, fixtures, and equipment and leasehold improvements (net of depreciation). Table 3 shows capital assets (net of depreciation) for the fiscal years 2017 and 2016.

TABLE 3	**Net Capital Assets** As of June 30	
	2017	2016
Furniture, fixtures and equipment	$ 30,736	$ 58,313
Leasehold improvements	-	7,180
Total capital assets	$ 30,736	$ 65,493

For more information on capital assets, see Note 6 to the basic financial statements.

Current Financial Issues

Wildwood Environmental Academy was formed in 2004 under a contract with the Ohio Council of Community Schools. During the 2016-2017 school year there were 342 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Foundation payments for fiscal year 2017 amounted to $2,920,110.

Contacting the Academy's Financial Management

The financial report is designed to provide our citizens with a general overview of the Academy's finances and to show the Academy's accountability for the funds it receives. If you have questions about this report or need additional information, contact:

Melinda Benkovsky
Director of Budget and Finance
The Leona Group, LLC
2125 University Park Drive, Okemos, MI 48864
melinda.benkovsky@leonagroup.com

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Statement of Net Position
June 30, 2017

Assets		
Current Assets		
Cash and cash equivalents	$	80,450
Accounts receivable		9,756
Intergovernmental receivable		82,924
Prepaid items		11,440
Total current assets		184,570
Noncurrent Assets		
Security deposit		7,042
Depreciable capital assets, net		30,736
Total noncurrent assets		37,778
Total Assets		222,348
Deferred Outflows of Resources		
Pension		1,193,654
Liabilities		
Current Liabilities		
Accounts payable		20,845
Accrued wages payable		222,563
STRS-SERS payable		11,840
Intergovernmental payable		19,793
Contracts payable		80,021
Capital lease payable - current		1,490
Total current liabilities		356,552
Noncurrent Liabilities		
Due in more than one year		
Net pension liability		4,594,270
Total liabilities		4,950,822
Deferred Inflows of Resources		
Pension		7,979
Net Position		
Invested in capital assets net of related debt		29,246
Unrestricted (deficit)		(3,572,045)
Total Net Position	$	(3,542,799)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Statement of Revenues, Expenses, and Change in Net Position
For The Fiscal Year Ended June 30, 2017

Operating Revenues		
Foundation payments	$	2,920,110
Food services		19,597
Other revenues		82,982
Total operating revenues		3,022,689
Operating Expenses		
Salaries		1,617,578
Fringe benefits		758,645
Other purchased services (Note 11)		1,199,493
Materials and supplies		122,857
Depreciation		34,757
Other		78,877
Total operating expenses		3,812,207
Operating loss		(789,518)
Nonoperating Revenues and Expenses		
Federal grants		438,729
State grants		237,247
Contributions and donations		50
Special assessments		(572)
Interest and fiscal charges		(301)
Total nonoperating revenues and expenses		675,153
Change in net position		(114,365)
Net position beginning of year (deficit)		(3,428,434)
Net position end of year (deficit)	$	(3,542,799)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Statement of Cash Flows
Proprietary Fund
For The Fiscal Year Ended June 30, 2017

Increase in Cash and Cash Equivalents:	
Cash Flows from Operating Activities	
Cash received from State of Ohio	$ 2,913,347
Cash received for food services	19,619
Cash received from other operating revenues	116,109
Cash payments to suppliers for goods and services	(3,721,720)
Net Cash Used for Operating Activities	(672,645)
Cash Flows from Noncapital Financing Activities	
Federal grants received	458,961
State grants received	253,148
Contributions and donations	13,767
Interest payments	(315)
Taxes	(568)
Net Cash Provided by Noncapital Financing Activities	724,993
Cash Flows from Capital and Related Financing Activities	
Payments on capital leases	(4,232)
Net Cash Used for Capital and Related Financing Activities	(4,232)
Net Increase in Cash and Cash Equivalents	48,116
Cash and Cash Equivalents at Beginning of Year	32,334
Cash and Cash Equivalents at End of Year	$ 80,450

(Continued)

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Statement of Cash Flows
Proprietary Fund
For The Fiscal Year Ended June 30, 2017
(continued)

Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating loss	$	(789,518)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Depreciation		34,757
Changes in assets and liabilities:		
Decrease in accounts receivable		15,812
Decrease in intergovernmental receivable		16,393
Decrease in prepaid items		8,281
Increase in deferred outflows		(532,861)
Increase in accounts payable		851
Decrease in contracts payable-TLG		(257,181)
Increase in accrued wages and benefits		54,551
Decrease in intergovernmental payable		(6,595)
Increase in STRS-SERS payable		8,507
Increase in net pension liability		962,763
Decrease in deferred inflows		(188,405)
Total Adjustments		116,873
Net Cash Used for Operating Activities	$	(672,645)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

Wildwood Environmental Academy (the "Academy") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702. The Academy's mission is to provide an atmosphere where students will develop a thirst for learning, creative expression, and awareness of new horizons. As a family of learners, students and staff exhibit depth of understanding, acceptance of others, personal integrity and responsibility, and a willingness to exercise leadership in their educational and social interactions. Staff, students, and their families are committed to facing the challenges of the new century, believing that there is no problem too complex nor goal too lofty that cannot be mastered. The Academy, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the Academy.

On April 2, 2003, the Academy was approved for operation under contract with the Ohio Council of Community Schools (the "Sponsor") for a period of four years through June 30, 2007, with a seven-year extension through June 30, 2014, and a current five-year extension through June 30, 2019. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The total sponsor fees paid to the Ohio Council of Community Schools for the fiscal year ended June 30, 2017 totaled $91,632.

The Academy operates under the direction of a six-member board of directors, which also is the governing board for another Leona Group, LLC-managed school. The board of directors is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The board of directors controls the Academy's instructional/support facility staffed by 56 certificated full-time teaching personnel and 21 non-certificated personnel who provide services to 342 students.

The governing board has entered into a management contract with The Leona Group, LLC (TLG), a for-profit limited liability corporation, for management services and operation of the Academy. TLG operates the Academy's instructional/support facility, is the employer of record for all personnel, and supervises and implements the curriculum. In exchange for its services, TLG receives a capitation fee (see Note 15).

The State of Ohio requires that the financial activities of all community schools are overseen by a licensed fiscal officer. Effective July 1, 2016, the fiscal officer is employed by the board of directors and is not affiliated with TLG.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The Academy has elected to follow private sector guidance issued after November 30, 1989 for its business-type activities. The more significant of the Academy's accounting policies follow.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation

The Academy's basic financial statements consist of a statement of net position, a statement of revenue, expenses, and changes in net position, and a statement of cash flows. Enterprise fund reporting focuses on the determination of the change in net position, financial position, and cash flows.

B. Measurement Focus

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets, all liabilities, and all deferred outflows and inflows are included on the statement of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its enterprise activities.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Academy's financial statements are prepared using the accrual basis of accounting.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the Academy receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Academy must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis.

Expenses are recognized at the time they are incurred.

D. Budgetary Process

Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor does prescribe an annual budget requirement in addition to preparing a 5-year forecast which is to be updated on an annual basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash and Cash Equivalents

Cash received by the Academy is reflected as "Cash and Cash Equivalents" on the Statement of Net Position. The Academy had no investments during the fiscal year ended June 30, 2017.

F. Receivables

Accounts receivable and intergovernmental receivables at June 30, 2017 are considered collectible in full and will be received within one year.

G. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Academy does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. All reported capital assets except land are depreciated. Depreciation is computed using the straight-line method. A summary of capital asset activity can be found in Note 6. Cost thresholds and useful lives are as follows:

Capitalization and Depreciation Policy

Category	Cost Threshold	Useful Life
Leasehold improvements	Professional judgement not less than $25,000	Life of Lease
Furniture, fixtures, and equipment	Individual item - $5,000	7 years
EDP equipment and software	Sum of like items in a single purchase - $12,500	3 years
Non-EDP equipment		6 years

H. Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position is reported as restricted when there are limitations imposed on their use through external restriction imposed by creditors, grantors, or laws and regulations of other governments. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Net position invested in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the Academy, these revenues are primarily foundation payments. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the Academy. Revenues and expenses not meeting this definition are reported as non-operating.

J. Intergovernmental Revenue

The Academy currently participates in the State Foundation Program. Revenue received from this program is recognized as operating revenue in the accounting period in which all eligibility requirements have been met.

The state foundation revenue is determined based on the student count and the foundation allowance per pupil. Approximately 78.97% of revenue is from the foundation allowance. As a result, Academy funding is heavily dependent on the State's ability to fund local school operations. Since the Academy's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue. The impact on the Academy of the State's projected revenue is not known.

Grants and entitlements are recognized as nonoperating revenues in the accounting period in which eligibility requirements have been met.

K. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

L. Tax Status

The Academy is exempt from taxes under Section 501(c)(3) of the Internal Revenue Code.

M. Security Deposit

The Academy entered into a lease for the use of the building for the administration and instruction of the Academy. Based on the lease agreement, a security deposit was required to be paid at the signing of the agreement. This amount, totaling $7,042, is held by the lessor (See Note 12).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. 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. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the Academy, deferred outflows of resources are reported on the statement of net position for pension. The deferred outflows of resources related to pension are reported on the statement of net position (See Note 8).

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Academy, deferred inflows of resources consist of pension. Deferred inflows of resources related to pension are reported on the statement of net position (See Note 8).

O. 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 pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

3. IMPLEMENTATION OF NEW ACCOUNTING POLICIES

For the fiscal year ended June 30, 2017, the Academy has implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*, GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans,* GASB Statement No. 80, *Blending Requirements for Certain Component Units - an amendment of GASB Statement No. 14* and GASB Statement No. 82, *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73.*

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the Academy.

GASB Statement No. 78 amends the scope of GASB Statement No. 68 to exclude certain multiple employer defined benefit pension plans provided to employees of state and local governments on the basis that obtaining the measurements and other information required by GASB Statement No. 68 was not feasible. The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the Academy.

3. IMPLEMENTATION OF NEW ACCOUNTING POLICIES (continued)

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the Academy.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the Academy's fiscal year 2017 financial statements; however, there was no effect on beginning net position/fund balance.

4. DEPOSITS

At June 30, 2017, the carrying amount of all Academy deposits was $80,450. At June 30, 2017, the Academy's bank balance was $92,629. The entire bank balance was covered by the Federal Deposit Insurance Corporation (the "FDIC"); there was no exposure to custodial credit risk as discussed below.

The Academy has designated one bank for the deposit of its funds. The Academy's deposits consist solely of checking and/or savings accounts at local banks; therefore, the Academy has not adopted a formal investment policy.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of bank failure, the Academy's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy. The Academy has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Academy to a successful claim by the FDIC.

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5. RECEIVABLES

Receivables at June 30, 2017, consisted of intergovernmental grants and various refunds due. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of receivables follows:

Receivables

Source		**June 30, 2017**
Intergovernmental receivable:		
Title I	$	47,727
Title IIa		14,806
IDEA		788
SERS refund		1,845
Amounts due from other academies		2,953
Medicaid		2,647
College Credit Plus		2,880
Casino tax revenue		9,278
Total intergovernmental receivable	$	82,924
Accounts receivable		
eRate rebates	$	9,756
Total accounts receivable	$	9,756

6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017 is as follows:

Capital Asset Activity

Business-Type Activity	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets being depreciated:				
Furniture, fixtures, and equipment	$ 431,123	$ -	$ -	$ 431,123
Leasehold improvements	353,224	-	-	353,224
Total depreciable capital assets	784,347	-	-	784,347
Less accumulated depreciation:				
Furniture, fixtures, and equipment	(372,810)	(27,577)	-	(400,387)
Leasehold improvements	(346,044)	(7,180)	-	(353,224)
Total accumulated depreciation	(718,854)	(34,757)	-	(753,611)
Total depreciable capital assets, net	$ 65,493	$ (34,757)	$ -	$ 30,736

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7. RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017, the Academy contracted with Philadelphia Indemnity Insurance Company for general liability, property insurance and educational errors and omissions insurance. Coverage is as follows:

Insurance Coverages

Type	Limits
Educational Errors and Omissions	
D&O Liability and Employment Practices	$1,000,000
Student Sports	500,000
Cyber Crime	2,000,000
Student Foreign Travel	1,000,000
Aggregate, All Parts	2,000,000
General Liability	
General Aggregate	2,000,000
Per Occurrence	1,000,000
Auto Liability Combined Single Limit	1,000,000
Abuse/Molestation	1,000,000
Umbrella	15,000,000
Property	
Building	2,600,000
Personal Property	431,124
Business Income	200,000

Settled claims have not exceeded this commercial coverage in any of the past three years. Any changes in coverage from the previous year are due to converting all TLG-managed academies to one policy with common limits, except property and business income.

B. Workers' Compensation

The Academy pays the State Worker's Compensation System a premium for employee injury coverage. The premium is calculated by multiplying the monthly total gross payroll by a factor that is calculated by the State.

8. DEFINED BENEFIT PENSION PLANS

A. Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Academy's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Academy's obligation for this liability to annually required payments. The Academy cannot control benefit terms or the manner in which pensions are financed; however, the Academy does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in STRS-SERS payable on both the accrual and modified accrual bases of accounting.

B. Plan Description - School Employees Retirement System (SERS)

Plan Description – Academy non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS' fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

8. DEFINED BENEFIT PENSION PLANS (continued)

B. Plan Description - School Employees Retirement System (SERS) (continued)

Age and service requirements for retirement are as follows:

Benefits	Eligible to Retire on or before August 1, 2017*	Eligible to Retire On or After August 1, 2017
Full	Any age with 30 years of service credit	Age 67 with 10 years of service credit, or Age 57 with 30 years of service credit
Actuarially Reduced	Age 60 with 5 years of service credit or Age 55 with 25 years of service credit	Age 62 with 10 years of service credit, or Age 60 with 25 years of service credit

*Members with 25 years of service credit as of August 1, 2017 will be included in this plan

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on years of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2017, the allocation to pension, death benefits, and Medicare B was 14 percent. SERS did not allocate any employer contributions to the Health Care Fund for fiscal year 2017.

The Academy's contractually required contribution to SERS was $41,448 for fiscal year 2017. The full amount has been contributed for fiscal year 2017.

8. DEFINED BENEFIT PENSION PLANS (continued)

C. Plan Description - State Teachers Retirement System (STRS)

Plan Description – Academy licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 26 years of service, or 31 years of service regardless of age. Eligibility changes will be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

8. DEFINED BENEFIT PENSION PLANS (continued)

C. Plan Description - State Teachers Retirement System (STRS) (continued)

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2017, plan members were required to contribute 14 percent of their annual covered salary. The Academy was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2017 contribution rates were equal to the statutory maximum rates.

The Academy's contractually required contribution to STRS was $184,124 for fiscal year 2017. Of that amount, $11,952 is recorded as a payable to STRS.

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

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Academy's proportion of the net pension liability was based on the Academy's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	SERS	STRS	Total
Proportionate share of the net pension liability	$ 658,249	$ 3,936,021	$ 4,594,270
Proportion of the net liability:			
Current measurement date	0.00899360%	0.01175879%	
Prior measurement date	0.00920790%	0.01123887%	
Change in proportionate share	(0.00021430%)	0.00051992%	
Pension expense	$ 69,068	$ 398,001	$ 467,069

8. DEFINED BENEFIT PENSION PLANS (continued)

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

At June 30, 2017, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 8,878	$ 159,034	$ 167,912
Net difference between projected and actual earnings on pension plan investments	54,295	326,794	381,089
Changes of assumptions	43,942	-	43,942
Changes in proportion and differences between Academy contributions and proportionate share of contributions	7,857	367,282	375,139
Academy contributions subsequent to the measurement date	41,448	184,124	225,572
Total deferred outflows of resources	$ 156,420	$ 1,037,234	$ 1,193,654
Deferred Inflows of Resources			
Changes in proportion and differences between Academy contributions and proportionate share of contributions	$ 7,979	$ -	$ 7,979
Total deferred inflows of resources	$ 7,979	$ -	$ 7,979

$225,572 reported as deferred outflows of resources related to pension resulting from the Academy's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Amortization of Deferred Outflows and Deferred Inflows

Fiscal Year Ending June 30:	SERS	STRS	Total
2018	$ 27,559	$ 186,873	$ 214,432
2019	27,519	186,870	214,389
2020	36,308	312,273	348,581
2021	15,607	167,094	182,701
Total to be amortized	$ 106,993	$ 853,110	$ 960,103

8. DEFINED BENEFIT PENSION PLANS (continued)

E. Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation are presented below:

Calculating Total Pension Liability - SERS

Method	Assumption
Valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal
Actuarial assumptions experience study date	5 year period ended June 30, 2015
Investment rate of return	7.50 percent net of investments expense, including inflation
COLA or ad hoc COLA	3.00 percent
Future salary increases, including inflation	3.50 percent to 18.20 percent
Wage inflation	3.00 percent
Mortality assumptions	Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females

8. DEFINED BENEFIT PENSION PLANS (continued)

E. Actuarial Assumptions – SERS (continued)

The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Real Rates of Return - SERS

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US stocks	22.50	4.75
Non-US stocks	22.50	7.00
Fixed income	19.00	1.50
Private equity	10.00	8.00
Real assets	15.00	5.00
Multi-asset strategy	10.00	3.00
Total	100.00 %	

Discount Rate The total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all 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 benefits to determine the total pension liability.

8. DEFINED BENEFIT PENSION PLANS (continued)

E. Actuarial Assumptions – SERS (continued)

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.50 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

Sensitivity to Changes in Discount Rate - SERS

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Academy's proportionate share of the net pension liability	$ 871,480	$ 658,249	$ 479,765

F. Actuarial Assumptions - STRS

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation are presented below:

Calculating Total Pension Liability - STRS

Method	Assumption
Valuation date	June 30, 2016
Actuarial assumptions experience study date	July 1, 2012
Investment rate of return	7.75 percent, net of investment expenses, including inflation
Cost-of-living adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA commences on fifth anniversary of retirement date
Projected salary increases	12.25 percent at age 20 to 2.75 percent at age 70
Inflation	2.75 percent
Mortality assumptions	Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022–ScaleAA) for Males and Females. Males' ages are set back two years through age 89 and no set back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and no set back from age 90 and above.

8. DEFINED BENEFIT PENSION PLANS (continued)

F. Actuarial Assumptions – STRS (continued)

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

Real Rates of Return - STRS

Asset Class	Target Allocation		Long Term Expected Real Rate of Return	
Domestic equity	31.00	%	8.00	%
International equity	26.00		7.85	
Alternatives	14.00		8.00	
Fixed income	18.00		3.75	
Real estate	10.00		6.75	
Liquidity reserves	1.00		3.00	
Total	100.00	%		

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2016. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2016. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2016.

8. DEFINED BENEFIT PENSION PLANS (continued)

F. Actuarial Assumptions – STRS (continued)

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Academy's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the Academy's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

Sensitivity to Changes in Discount Rate - STRS

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Academy's proportionate share of the net pension liability	$ 5,230,653	$ 3,936,021	$ 2,843,924

9. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Health Care Plan Description - The Academy contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

9. POSTEMPLOYMENT BENEFITS (continued)

A. School Employees Retirement System (continued)

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2017, SERS did not allocate any employer contributions to the Health Care Fund. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2017, this amount was $23,500. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The Academy's contributions for health care (including surcharge) for the fiscal years ended June 30, 2017, 2016, and 2015 are listed in the table below:

Contribution for Health Care Including Surcharge - SERS

Fiscal Year Ended June 30	Surcharge	Healthcare	Total	Percent Contributed
2017	$ 4,705	$ -	$ 4,705	100%
2016	4,955	-	4,955	100%
2015	4,619	2,274	6,893	100%

B. State Teachers Retirement System of Ohio

Plan Description – The Academy participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal years 2017, 2016 and 2015, STRS did not allocate any employer contributions to post-employment health care.

10. CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2017.

B. Ohio Department of Education Enrollment Review

School Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, schools must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the schools, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2017 Foundation funding for the Academy; therefore, the financial statement impact is not determinable at this time. When finalized, any adjustments will be added to or deducted from future foundation payments.

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11. PURCHASED SERVICE EXPENSES

For the period ended June 30, 2017, purchased service expenses were payments for services rendered by various vendors, as follows:

Purchased Services

Category	FY2017
Salaries	$1,617,578
Fringe benefits	758,645
Other professional and technical services	66,112
The Leona Group, LLC	433,888
Legal services	3,574
Ohio Council of Community Schools	91,632
Cleaning services	50,949
Repairs and maintenance	63,352
Building rental	222,252
Other rentals	11,128
Communication	63,279
Advertising	4,961
Utilities	62,974
Contracted food service	113,357
Pupil transportation	12,035
Total purchased services	$3,575,716

12. OPERATING LEASES

On July 21, 2004, the Academy entered into a lease for the period from September 1, 2004 through August 31, 2009 with SMJ Properties LLC, with an annual rent of $84,504, due in equal monthly installments beginning September 1, 2004, for the use of a school facility. On February 26, 2009, the Academy extended the lease agreement for the period from September 1, 2009 through August 31, 2014 with an annual rent of $92,954 due in equal monthly installments beginning September 1, 2009. On April 10, 2014 the lease was amended to extend the term through August 31, 2019. Payments made under the lease totaled $102,252 for the fiscal year. Under the lease agreement, the Academy is responsible for paying all utilities and applicable property taxes. The Academy has the option to terminate the lease at any time more than three years after commencement of the lease by giving SMJ Properties, LLC six months' prior written notice if either (i) any changes in any federal, state, or local law or regulation mandate the expenditure by lessee of $100,000 or more to modify or improve the school facility and an acceptable lease amendment addressing that issue is not negotiated within the six-month period or (ii) actual funding from the State of Ohio is reduced to such an extent that the Academy permanently ceases operation, provided that the Academy has sought adequate funding.

On February 23, 2012, the Academy entered into a lease of a second facility for the period from August 1, 2012 through June 30, 2017 with Leona Wildwood Property Acquisition, LLC, with annual rent of $120,000. On May 23, 2017, the lease was extended through June 30, 2018. Leona Wildwood Property Acquisition, LLC, is a TLG-affiliated company.

The following is a schedule of the future minimum payments required under the operating leases as of June 30, 2017:

Future Minimum Lease Payments

Fiscal Year Ending June 30,	Amount
2018	$ 222,252
2019	102,252
2020	8,521
Total minimum lease payments	$ 333,025

13. NOTES PAYABLE

There were no foundation anticipation or other notes payable during the fiscal year.

14. CAPITAL LEASE

Capital lease activity during 2017 was as follows:

Capital Lease Activity

Owed To	Balance at 6/30/2016	Additions	Reductions	Balance at 6/30/2017
Toshiba Telecom Finance	$ 5,722	$ -	$ 4,232	$ 1,490
Total	$ 5,722	$ -	$ 4,232	$ 1,490

The Academy entered into an agreement with Toshiba Telecom Finance on November 6, 2012 to lease telephone equipment. The lease agreement qualifies as a capital lease for accounting purposes and therefore has been recorded at the present value of the future minimum lease payments as of the inception date. Total value of the capitalized lease equipment was $18,575. The lease runs through October 20, 2017.

The future minimum lease obligations and the net present value are as follows:

Capital Lease Obligation

Year	Minimum Lease Obligation	Amount Representing Interest	Present Value of Minimum Lease Payment
2018	$ 1,516	$ 26	$ 1,490
Total	$ 1,516	$ 26	$ 1,490

15. RELATED PARTY TRANSACTIONS/MANAGEMENT AGREEMENT

The Academy entered into a five-year contract, effective March 14, 2007 through June 30, 2012, and amended on August 7, 2007 to extend an additional two years through June 30, 2014 with an automatic one-year extension, with The Leona Group, LLC for educational management services for all of the management, operation, administration, and education at the Academy. The contract was extended through fiscal year 2016. On June 28, 2016, a new three-year contract was executed, effective through June 30, 2019. In exchange for its services, The Leona Group, LLC receives a capitation fee of 12% of the per-pupil expenditures, with grant administration fees, if any, deducted directly from the fee. The Academy incurred capitation fees of $433,888 for the 2017 fiscal year.

Terms of the management contracts require The Leona Group, LLC to provide the following:

A. implementation and administration of the Educational Program;

B. management of all personnel functions, including professional development;

C. operation of the school building and the installation of technology integral to school design;

D. all aspects of the business administration of the Academy;

E. the provision of food service for the Academy; and

F. any other function necessary or expedient for the administration of the Academy.

Also, there are expenses that are billed to the Academy based on the actual costs incurred for the Academy by The Leona Group, LLC. These expenses include rent, salaries of The Leona Group, LLC, employees working at the Academy, and other costs related to providing educational and administrative services. Those expenses are as follows:

	Regular Instruction	Special Instruction	Other Instruction	Support Services	Non-Instructional	Total
Direct expenses:						
Salaries and wages	$ 721,672	$ 418,292	$ 10,060	$ 406,983	$ 12,713	$ 1,569,720
Fringe benefits	257,055	109,480	1,580	128,356	2,273	498,744
Professional & technical services	-	-	-	21,907	-	21,907
Property services	-	-	-	-	100,000	100,000
Contracted craft or trade services	-	-	-	-	2,217	2,217
Transportation	-	-	-	116	-	116
Supplies	-	-	-	3,971	-	3,971
Other direct costs	-	-	-	30,136	-	30,136
Total expenses	$ 978,727	$ 527,772	$ 11,640	$ 591,469	$ 117,203	$ 2,226,811

15. RELATED PARTY TRANSACTIONS/MANAGEMENT AGREEMENT (continued)

At June 30, 2017, the Academy had a balance due to The Leona Group, LLC in the amount of $80,021. The following is a schedule of payables to The Leona Group, LLC:

Balance Due to The Leona Group, LLC	June 30, 2017
Management fees	$ 87,849
Payroll	(9,609)
Miscellaneous	1,781
Total	$ 80,021

16. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 9,2018, the date on which the financial statements were submitted for audit. As of that date, no significant subsequent events were noted.

17. MANAGEMENT'S PLANS REGARDING ACCUMULATED DEFICIT

As of the year ended June 30, 2017, the Academy has accumulated a deficit of $134,205, net of the cumulative effects of implementing GASB 68. However, the Academy has reported a reduction in the deficit in each of the last four years, which can be attributed to the control of expenditures to stay within their operating budget and a commitment to reserving a yearly surplus, paying outstanding management fees, and eventually eliminating the deficit. The Academy plans to continue these measures with close monthly monitoring and an annual goal of at least a $25,000 surplus, as well as continued efforts to increase enrollment.

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Required Supplementary Information
Schedule of the Academy's Proportionate Share of the Net Pension Liability
Last Four Fiscal Years (1)

	2017	2016	2015	2014
State Teachers Retirement System (STRS)				
Academy's proportion of the net pension liability (asset)	0.01175879%	0.01123887%	0.00997057%	0.00997057%
Academy's proportionate share of the net pension liability (asset)	$ 3,936,021	$ 3,106,095	$ 2,425,188	$ 2,888,868
Academy's covered-employee payroll	$ 1,230,843	$ 1,172,586	$ 999,692	$ 1,023,815
Academy's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payrol	319.78%	264.89%	242.59%	282.17%
Plan fiduciary net position as a percentage of the total pension liability	66.80%	72.10%	74.70%	69.30%
School Employees Retirement System (SERS)				
Academy's proportion of the net pension liability (asset)	0.00899360%	0.92079000%	0.00894700%	0.00894700%
Academy's proportionate share of the net pension liability (asset)	$ 658,249	$ 525,412	$ 425,803	$ 532,049
Academy's covered-employee payroll	$ 279,307	$ 277,200	$ 239,531	$ 214,827
Academy's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payrol	235.67%	189.54%	177.77%	247.66%
Plan fiduciary net position as a percentage of the total pension liability	62.98%	69.16%	71.70%	65.52%

(1) Information prior to 2014 is not available

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Required Supplementary Information
Schedule of Academy Contributions
Last Ten Fiscal Years

	2017	2016	2015	2014	2013
State Teachers Retirement System (STRS)					
Contractually required contribution	$ 184,124	$ 172,318	$ 164,162	$ 129,960	$ 133,096
Contributions in relation to the contractually required contribution	(184,124)	(172,318)	(164,162)	(129,960)	(133,096)
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0
Academy's covered-employee payroll	$ 1,315,171	$ 1,230,843	$ 1,172,586	$ 999,692	$ 1,023,815
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	13.00%	13.00%
School Employees Retirement System (SERS)					
Contractually required contribution	$ 41,448	$ 39,103	$ 36,535	$ 33,199	$ 29,732
Contributions in relation to the contractually required contribution	(41,448)	(39,103)	(36,535)	(33,199)	(29,732)
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0
Academy's covered-employee payroll	$ 296,057	$ 279,307	$ 277,200	$ 239,531	$ 214,827
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.18%	13.86%	13.84%

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Required Supplementary Information
Schedule of Academy Contributions
Last Ten Fiscal Years

	2012	2011	2010	2009	2008
State Teachers Retirement System (STRS)					
Contractually required contribution	$ 133,507	$ 120,977	$ 77,873	$ 69,342	$ 64,792
Contributions in relation to the contractually required contribution	(133,507)	(120,977)	(77,873)	(69,342)	(64,792)
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0
Academy's covered-employee payroll	$ 1,026,977	$ 930,592	$ 599,023	$ 533,400	$ 498,400
Contributions as a percentage of covered-employee payroll	13.00%	13.00%	13.00%	13.00%	13.00%
School Employees Retirement System (SERS)					
Contractually required contribution	$ 24,127	$ 42,158	$ 14,911	$ 19,772	$ 11,888
Contributions in relation to the contractually required contribution	(24,127)	(42,158)	(14,911)	(19,772)	(11,888)
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0
Academy's covered-employee payroll	$ 179,383	$ 335,386	$ 110,126	$ 200,935	$ 121,059
Contributions as a percentage of covered-employee payroll	13.45%	12.57%	13.54%	9.84%	9.82%

Information about factors that significantly affect trends in the amounts reported in the schedules should be presented as notes to the schedule.

SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2016.

Changes in assumptions: Changes in methods and assumptions from fiscal year 2016 to fiscal year 2017 are as follows:

Changes in Methods and Assumptions - SERS

Method or Assumption	Fiscal Year 2016	Fiscal Year 2017
Valuation date	June 30, 2015	June 30, 2016
Actuarial cost method	Entry Age Normal	Entry Age Normal
Actuarial assumptions experience study date	June 30, 2010	5 year period ended June 30, 2015
Investment rate of return	7.75 percent net of investments expense, including inflation	7.50 percent net of investments expense, including inflation
COLA or ad hoc COLA	3.00 percent	3.00 percent
Future salary increases, including inflation	4.00 percent to 22.00 percent	3.50 percent to 18.20 percent
Wage inflation	3.25 percent	3.00 percent
Mortality assumptions	Mortality rates were based on the 1994 Group Annuity Mortality Table set back one year for both men and women	Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: Changes in benefit terms from fiscal year 2016 to fiscal year 2017 are primarily in age and service requirements as shown in the following table:

Age and Service Requirements Fiscal Year 2016 (as of August 1, 2015)	**Age and Service Requirements Fiscal Year 2017 (as of August 1, 2016)**
Age 60 with five years of qualifying service credit, or; Age 55 with twenty-five years of service, or; Thirty years of service regardless of age	Age 60 with five years of qualifying service credit, or; Age 55 with twenty-six years of service, or; Thirty-one years of service regardless of age

Eligibility changes are phased in until August 1, 2026

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarially determined contributions from fiscal year 2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

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bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and other Matters Required by *Government Auditing Standards*

Wildwood Environmental Academy
Lucas County
2125 University Park Drive
Okemos, Michigan 48864

To the Governing Board:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Wildwood Environmental Academy, Lucas County, Ohio (the Academy), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated February 9, 2018.

Internal Control over Financial Reporting

As part of our financial statement audit, we considered the Academy's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Academy's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Academy's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards.*

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Academy's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Academy's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BHM CPA Group

BHM CPA Group Inc.
Piketon, Ohio
February 9, 2018

WILDWOOD ENVIRONMENTAL ACADEMY

LUCAS COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
APRIL 10, 2018

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