



Dave Yost • Auditor of State

**WILDWOOD ENVIRONMENTAL ACADEMY
LUCAS COUNTY
JUNE 30, 2016**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis	3
Basic Financial Statements:	
Statement of Net Position	9
Statement of Revenues, Expenses, and Changes in Net Position	10
Statement of Cash Flows.....	11
Notes to the Basic Financial Statements.....	13
Required Supplementary Information:	
Schedule of the Academy's Proportionate Share of the Net Pension Liability	40
Schedule of Academy Contributions.....	41
Notes to the Required Supplementary Information	43
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	45

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Dave Yost • Auditor of State

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, 2016, 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.

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, 2016, 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 May 4, 2017, 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.



Dave Yost
Auditor of State

Columbus, Ohio

May 4, 2017

Wildwood Environmental Academy
Lucas County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

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, 2016. 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 new 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 2016,

- Total net position was (\$3,428,434).
- Total assets were \$282,544.
- Deferred outflows of resources were \$660,793.
- Total liabilities were \$4,175,387.
- Deferred inflows of resources were \$196,384.

Using this Annual Report

This report consists of four parts, the MD&A, the basic financial statements, notes to those statements, and required supplementary information. The basic financial statements include a statement of net position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows.

Statement of Net Position

The statement of net position answers the question, "How did we do financially during 2016?" This statement includes all assets, deferred outflows, liabilities, and deferred inflows, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private sector companies. This basis of accounting takes into the account all revenues and expenses during the year, regardless of when cash is received or paid.

Wildwood Environmental Academy
Lucas County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

Table I provides a summary of the Academy's net position for fiscal years 2016 and 2015:

TABLE 1	<u>Governmental Activities</u>	
	June 30	
	2016	2015
Assets		
Current assets	\$ 210,009	\$ 102,660
Noncurrent assets	7,042	7,042
Capital assets - net	<u>65,493</u>	<u>102,332</u>
Total assets	<u>282,544</u>	<u>212,034</u>
Deferred Outflows of Resources		
Pension	<u>660,793</u>	<u>227,899</u>
Liabilities		
Current liabilities	542,390	545,704
Noncurrent liabilities		
Due in more than one year		
Capital lease	1,490	5,722
Net pension liability	<u>3,631,507</u>	<u>2,877,991</u>
Total noncurrent liabilities	<u>3,632,997</u>	<u>2,883,713</u>
Total liabilities	<u>4,175,387</u>	<u>3,429,417</u>
Deferred Inflows of Resources		
Pension	<u>196,384</u>	<u>522,160</u>
Net Position		
Invested in capital assets—net of related debt	59,771	92,712
Unrestricted (Deficit)	<u>(3,488,205)</u>	<u>(3,604,356)</u>
Total net position (Deficit)	<u><u>\$(3,428,434)</u></u>	<u><u>\$(3,511,644)</u></u>

Wildwood Environmental Academy
Lucas County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

During 2015, the Academy adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27," which significantly revises 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 earning 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 new 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.

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.

Wildwood Environmental Academy
Lucas County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

Total net position for the Academy increased \$83,210. Accounts Receivable increased \$39,202 due to the accrual of eRate reimbursements applied for. Intergovernmental receivables increased \$32,741 due to increased uncollected Federal funds at year end. Net Capital Assets decreased \$36,839 strictly due to depreciation. No capital additions were recorded in 2016, possibly due to a change in the academy's capitalization policy.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2016 and 2015.

**Wildwood Environmental Academy
Lucas County**
*Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)*

Change in Net Position

Table 2 shows the changes in net position for fiscal years 2016 and 2015, as well as a listing of revenues and expenses.

TABLE 2	<u>Governmental Activities</u>	
	For the year ended June 30	
	2016	2015
Operating Revenues		
Foundation payments	\$ 2,654,732	\$ 2,635,574
Food services	13,643	13,804
Other revenues	115,896	11,929
Nonoperating Revenues		
Federal grants	425,753	418,284
State grants	163,067	161,653
Contributions and donations	500	29,627
Refund of prior year expenses	-	14,271
Total revenue	3,373,591	3,285,142
Operating Expenses		
Salaries	1,506,340	1,452,706
Benefits	470,756	382,182
Purchased services	1,117,378	1,102,353
Materials and supplies	106,348	127,394
Depreciation (unallocated)	36,839	50,732
Other expenses	49,565	58,188
Nonoperating Expenses		
Interest and Fiscal Charges	640	3,755
Special Assessments	282	846
Prior year expenses	2,233	-
Total expenses	3,290,381	3,178,156
Increase (decrease) in net position	83,210	106,986
Net position beginning of year	(3,511,644)	(3,618,630)
Net position end of year	\$ (3,428,434)	\$ (3,511,644)

Wildwood Environmental Academy
Lucas County
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2016
(Unaudited)

Net position increased \$83,210. Increase in Other Revenues of \$103,967 is due to Medicaid settlements. Increase in Benefits of \$88,574 is due to increased costs related to the Affordable Care Act. Decrease in Interest and Fiscal Charges of \$3,115 is due to the decreasing principal balance on the capital lease.

Capital Assets

At the end of fiscal year 2016, the Academy had \$65,493 invested in furniture, fixtures, and equipment (net of depreciation). Table 3 shows capital assets (net of depreciation) for the fiscal years 2016 and 2015.

TABLE 3	<u>Net Capital Assets</u>	
	As of June 30	
	2016	2015
Furniture, fixtures and equipment	\$ 58,313	\$ 87,952
Leasehold improvements	7,180	14,380
Total capital assets	<u>\$ 65,493</u>	<u>\$102,332</u>

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 2015-2016 school year there were 324 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Foundation payments for fiscal year 2016 amounted to \$2,654,732.

Contacting the School'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 of Wildwood Environmental Academy
2125 University Park Drive, Okemos, MI 48864
melinda.benkovsky@leonagroup.com.

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Statement of Net Position
June 30, 2016

Assets

Current Assets:

Cash and cash equivalents	\$	32,334
Accounts receivable		39,286
Intergovernmental receivable		118,668
Prepaid items		19,721
Total current assets		210,009

Noncurrent Assets:

Security Deposit		7,042
Depreciable capital assets, net		65,493
Total noncurrent assets		72,535

Total Assets

282,544

Deferred Outflows of Resources

Pension		660,793
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Liabilities

Current Liabilities:

Accounts payable		19,991
Accrued wages payable		168,012
STRS-SERS payable		3,333
Intergovernmental Payable		9,606
Contracts payable		337,203
Capital lease payable - current		4,232
Accrued interest payable		13
Total current liabilities		542,390

Noncurrent Liabilities:

Due in more than one year		
Capital lease payable - noncurrent		1,490
Net pension liability		3,631,507
Total noncurrent liabilities		3,632,997

Total liabilities

4,175,387

Deferred Inflows of Resources

Pension		196,384
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Net Position

Invested in capital assets net of related debt		59,771
Unrestricted (deficit)		(3,488,205)

Total Net Position (deficit)

\$ (3,428,434)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Statement Of Revenues, Expenses, And Changes In Net Position
For The Fiscal Year Ended June 30, 2016

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Operating Revenues	
Foundation payments	\$ 2,654,732
Food services	13,643
Other revenues	<u>115,896</u>
Total operating revenues	<u>2,784,271</u>
Operating Expenses	
Salaries	1,506,340
Benefits	470,756
Purchased services (Note 11)	1,117,378
Materials and supplies	106,348
Depreciation	36,839
Other	<u>49,565</u>
Total operating expenses	<u>3,287,226</u>
Operating loss	<u>(502,955)</u>
Nonoperating Revenues and Expenses	
Federal grants	425,753
State grants	163,067
Contributions and donations	500
Special Assessments	(282)
Prior year expenses	(2,233)
Interest and fiscal charges	<u>(640)</u>
Total nonoperating revenues and expenses	<u>586,165</u>
Change in net position	83,210
Net position beginning of year (deficit)	<u>(3,511,644)</u>
Net position end of year (deficit)	<u><u>\$ (3,428,434)</u></u>

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, 2016

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash received from State of Ohio	\$ 2,653,115
Cash received for food services	13,655
Cash received from other operating revenues	56,649
Cash payments to suppliers for goods and services	<u>(3,266,078)</u>
 <i>Net Cash Used for Operating Activities</i>	 <u>(542,659)</u>

Cash Flows from Noncapital Financing Activities:

Federal grants received	395,978
State grants received	166,544
Contributions and donations	12,461
Interest payments	(649)
Taxes	(5)
Prior year expenditures	<u>(2,233)</u>
 <i>Net Cash Provided by Noncapital Financing Activities</i>	 <u>572,096</u>

Cash Flows from Capital and Related Financing Activities:

Payments on capital leases	<u>(3,898)</u>
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Net Increase in Cash and Cash Equivalents 25,539

Cash and Cash Equivalents at Beginning of Year 6,795

Cash and Cash Equivalents at End of Year \$ 32,334

(Continued)

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Statement of Cash Flows
Proprietary Fund
For The Fiscal Year Ended June 30, 2016
(Continued)

**Reconciliation of Operating Loss to Net
Cash Used by Operating Activities:**

Operating loss	\$	(502,955)
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**Adjustments to Reconcile Operating Loss to
Net Cash Used by Operating Activities**

Depreciation		36,839
Changes in assets and liabilities:		
Increase in accounts receivable		(39,252)
Increase in intergovernmental receivable		(15,086)
Increase in prepaid items		(10,425)
Increase in deferred outflows		(432,894)
Increase in accounts payable		5,023
Decrease in STRS-SERS payable		(5,920)
Increase in accrued wages payable		4,061
Decrease in intergovernmental payable		(2,652)
Decrease in contracts payable		(7,138)
Decrease in deferred inflows		(325,776)
Increase in net pension liability		753,516

Total Adjustments		<u>(39,704)</u>
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Net Cash Used for Operating Activities	\$	<u><u>(542,659)</u></u>
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SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

WILDWOOD ENVIRONMENTAL ACADEMY

Lucas County, Ohio

*Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016*

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, 2016 totaled \$81,269.

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 33 certificated full-time teaching personnel and 43 non-certificated personnel who provide services to 324 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. In June 2016, this contract was extended through fiscal year 2019. 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).

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 are described below.

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

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 and Basis of Accounting

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.

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

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, 2016.

F. Receivables

Accounts receivable and intergovernmental receivables at June 30, 2016 are considered collectible in full and will be received within one year.

G. Prepaid Items

Payments made to vendors for services of \$1,000 and over that will benefit periods beyond June 30, 2016 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which the services are consumed.

H. 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 are depreciated.

The Academy implemented a revised capitalization policy effective with the fiscal year ended June 30, 2016. Details can be found in Note 3.

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.

The state foundation revenue is determined based on the student count and the foundation allowance per pupil. Approximately 78.7% 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.

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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. 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).

N. 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.

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

3. CHANGE IN ACCOUNTING PRINCIPLES AND CAPITALIZATION THRESHOLDS

A. Change in Accounting Principles

For fiscal year 2016, the Academy has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the Academy.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the Academy.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the Academy.

GASB Statement No. 79 establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the Academy.

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

3. CHANGE IN ACCOUNTING PRINCIPLES AND CAPITALIZATION THRESHOLDS (continued)

B. Change in Capitalization Thresholds

On April 21, 2015, and beginning with the fiscal year ended June 30, 2016, the Board of Directors approved a policy to increase the cost threshold for capitalizing most fixed assets. This was done in order to more closely conform to Federal recommendations. Cost thresholds and useful lives by asset type are as follows:

<u>Asset type</u>	<u>Thresholds</u>	<u>Useful life</u>
Computer/EDP Equipment	Individual item - \$5,000 Aggregate of like items on a single purchase order - \$12,500	3 years
Office/Non-EDP Equipment	Individual item - \$5,000 Aggregate of like items on a single purchase order - \$12,500	6 years
Furniture (includes carpet and other shorter-lived improvements in owned buildings)	Individual item - \$5,000 Aggregate of like items on a single purchase order - \$12,500	7 years
Vehicles	Any new; professional judgement for pre-owned	8 years for new; professional judgement for pre-owned
Software	\$10,000	3 years
Educational media and textbooks	\$5,000	5 years
Land and inexhaustible land improvements	\$5,000	Not depreciable
Owned buildings	No lower limit	39 years
Modular buildings	Any new; professional judgement for pre-owned	15 years for new; professional judgement for pre-owned
Improvements to owned buildings that significantly add to value	Subject to professional judgement but not less than \$25,000	Concurrent with building's remaining useful life

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

3. CHANGE IN ACCOUNTING PRINCIPLES AND CAPITALIZATION THRESHOLDS (continued)

B. Change in Capitalization Thresholds (continued)

<u>Asset type</u>	<u>Thresholds</u>	<u>Useful life</u>
Depreciable site improvements to owned property	Subject to professional judgement but not less than \$25,000	15 years
Leasehold improvements including building and site (includes floor coverings and other short-lived fixtures)	Subject to professional judgement but not less than \$25,000	For the life of the lease. Useful life may be adjusted upon lease renewal subject to professional judgement.

4. DEPOSITS

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. The Academy's cash is not subject to custodial credit risk.

Custodial Credit Risk of Bank Deposits

At June 30, 2016, the carrying value of all deposits was \$32,334.

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's deposit policy requires that financial institutions be evaluated and only those with an acceptable risk level for custodial risk are used for the Academy's deposits; however, the Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. At June 30, 2016, the Academy's deposit balance of \$59,155 had no bank deposits (checking and savings accounts) that were uninsured and collateralized.

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

5. RECEIVABLES

Receivables at June 30, 2016, 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	
<u>Source</u>	<u>As of June 30, 2016</u>
Intergovernmental Receivable:	
Title I	\$ 43,363
Title IIa	24,161
Child nutrition	12,845
IDEA	3,184
SERS refund	3,951
Amounts due from other academies	2,783
Medicaid	19,984
Casino tax revenue	8,397
 Total intergovernmental receivable	 <u>\$ 118,668</u>
Accounts Receivable:	
eRate rebates due	\$ 39,264
Food sales to students	22
 Total accounts receivable	 <u>\$ 39,286</u>

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016:

<u>Business-Type Activity</u>	<u>Balance 6/30/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/16</u>
Capital assets being depreciated:				
Furniture, fixtures and equipment	\$ 440,609	\$ -	\$ 9,486	\$ 431,123
Leasehold improvements	353,224	-	-	(346,044)
Total depreciable capital assets	<u>793,833</u>	<u>-</u>	<u>9,486</u>	<u>784,347</u>
Less accumulated depreciation:				
Furniture, fixtures and equipment	(352,657)	(29,639)	(9,486)	(372,810)
Leasehold improvements	(338,844)	(7,200)	-	(346,044)
Total accumulated depreciation	<u>(691,501)</u>	<u>(36,839)</u>	<u>(9,486)</u>	<u>(718,854)</u>
Total depreciable capital assets - net	<u>\$ 102,332</u>	<u>\$ (36,839)</u>	<u>\$ -</u>	<u>\$ 65,493</u>

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

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 2016, 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

<u>Type</u>	<u>Limits</u>
Educational Errors and Omissions:	
Part 1, D&O Liability	\$1,000,000
Part 2, Employment Practices	1,000,000
Aggregate, All Parts	1,000,000
General Liability:	
Per occurrence	1,000,000
Aggregate	2,000,000
Personal & ADV Injury	1,000,000
Automobile - Hired and Not Owned CSL	1,000,000
Property:	
Personal Property - Dartford	375,000
Personal Property - Henthorne	375,000
BI - Dartford	100,000
BI - Henthorne	100,000
Building per Lease Agreement - Dartford	2,600,000
Umbrella	15,000,000

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.

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.

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

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.

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

8. DEFINED BENEFIT PENSION PLANS (continued)

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.

Age and service requirements for retirement are as follows:

<u>Benefits</u>	<u>Eligible to Retire on or Before August 1, 2017*</u>	<u>Eligible to Retire on or After August 1, 2017</u>
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, 2016, 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 2016.

The Academy's contractually required contribution to SERS was \$39,103 for fiscal year 2016. The full amount has been contributed for fiscal year 2016.

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

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 will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

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.

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

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. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 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 2016 contribution rates were equal to the statutory maximum rates.

The Academy's contractually required contribution to STRS was \$172,318 for fiscal year 2016. 98.07% has been contributed for fiscal year 2016.

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, 2015, 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:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportionate share of the Net Pension Liability	\$ 525,412	\$ 3,106,095	\$3,631,507
Proportion of the Net Liability	0.00920790%	0.01123887%	
Pension Expense	\$ 35,387	\$ 170,881	\$ 206,268

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

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, 2016, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Deferred Outflows of Resources			
Differences between expected and actual experience	\$ 8,376	\$ 139,372	\$ 147,748
Change in proportionate share	11,546	290,078	301,624
Academy contributions subsequent to the measurement date	39,103	172,318	211,421
Total Deferred Outflows of Resources	<u>\$ 59,025</u>	<u>\$ 601,768</u>	<u>\$ 660,793</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$ 15,801	\$ 180,583	\$ 196,384
Total Deferred Inflows of Resources	<u>\$ 15,801</u>	<u>\$ 180,583</u>	<u>\$ 196,384</u>

\$211,421 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, 2017. 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	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
2017	\$ (2,126)	\$ 35,634	\$ 33,508
2018	(2,126)	35,634	33,508
2019	(2,163)	35,633	33,470
2020	10,536	141,966	152,502
Total to be amortized	<u>\$ 4,121</u>	<u>\$ 248,867</u>	<u>\$ 252,988</u>

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

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, prepared as of June 30, 2015, are presented below:

Calculating Total Pension Liability - SERS

<u>Method</u>	<u>Assumption</u>
Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
Total	<u>100.00 %</u>	

Discount Rate The total pension liability was calculated using the discount rate of 7.75 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 (7.75 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.

Changes Between Measurement Date and Report Date In April 2016, the SERS Board adopted certain assumption changes which impacted their annual actuarial valuation prepared as of June 30, 2016. The most significant change is a reduction in the discount rate from 7.75 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact of the Academy's net pension liability is expected to be significant.

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

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 7.75 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 (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

Sensitivity to Changes in Discount Rate - SERS

	1% Decrease <u>(6.75%)</u>	Current Discount Rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
Academy’s proportionate share of the net pension liability	\$ 728,557	\$ 525,412	\$ 354,346

F. Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Calculating Total Pension Liability - STRS

<u>Method</u>	<u>Assumption</u>
Inflation	2.75 percent
Projected Salary Increases	12.25 percent at age 20 to 2.75 percent at age 70
Investment Rate of Return	7.75 percent net of investment expenses
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

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) 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 not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long Term Expected Real Rate of Return</u>	
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	<u>100.00</u>	%		

Discount Rate The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. 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, 2015. 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, 2015.

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

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 <u>(6.75%)</u>	Current Discount Rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
Academy's proportionate share of the net pension liability	\$ 4,314,600	\$ 3,106,095	\$ 2,084,124

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.

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

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 2016, 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 2016, this amount was \$23,000. 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, 2016, 2015, and 2014 are listed in the table below:

Contribution for Health Care Including Surcharge - SERS

Fiscal Year Ended June 30	Surcharge	Healthcare	Total	Percent Contributed
2016	\$ 4,955	\$ -	\$ 4,955	100%
2015	4,619	2,274	6,893	100%
2014	4,090	335	4,425	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.

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

9. POSTEMPLOYMENT BENEFITS (continued)

B. State Teachers Retirement System of Ohio (continued)

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 year 2016, STRS did not allocate any employer contributions to post-employment health care. The Academy’s contributions for health care for the fiscal years ended June 30, 2016, 2015, and 2014 are listed in the table below:

Contribution for Health Care - STRS

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Amount</u>	<u>Percent</u> <u>Contributed</u>
2016	\$ -	N/A
2015	-	N/A
2014	9,997	100%

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, 2016.

B. Ohio Department of Education Enrollment Review

Academy Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, academies 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 Academy, which can extend past the fiscal year end. As of the date of this report, the results of the review of fiscal year 2016 indicate an overpayment to the Academy of \$8,474. This amount is recorded as an intergovernmental payable to the ODE and will be deducted from a future foundation payment.

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

11. PURCHASED SERVICE EXPENSES

For the period ended June 30, 2016, purchased service expenses were payments for services rendered by various vendors, including salaries and fringe benefits as follows:

Purchased Services

<u>Category</u>	<u>FY2016</u>
Salaries	\$1,506,340
Fringe benefits	470,756
Other professional and technical services	60,255
The Leona Group, LLC	390,923
Legal services	425
Ohio Council of Community Schools	81,269
Cleaning services	53,343
Repairs and maintenance	39,257
Building rental	222,252
Other rentals	12,190
Communication	57,159
Advertising	10,078
Utilities	68,026
Contracted food service	113,353
Pupil transportation	8,848
	<hr/>
Total Purchased Services	<u><u>\$3,094,474</u></u>

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

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 with annual rent of \$120,000.

The following is a schedule of the future minimum payments required under the operating leases as of June 30, 2016:

Future Minimum Rent Due	
<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 222,252
2018	102,252
2019	102,252
2020	<u>8,521</u>
Total minimum lease payments	<u>\$ 435,277</u>

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

13. NOTES PAYABLE

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

14. CAPITAL LEASE

Capital lease activity during 2016 was as follows:

Capital Lease Activity				
<u>Owed To</u>	<u>Balance at 6/30/2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at 6/30/2016</u>
Toshiba Telecom Finance	\$ 9,620	\$ -	\$ 3,898	\$ 5,722
Total capital lease activity	<u>\$ 9,620</u>	<u>\$ -</u>	<u>\$ 3,898</u>	<u>\$ 5,722</u>

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			
<u>Year</u>	<u>Minimum Lease Obligation</u>	<u>Amount Representing Interest</u>	<u>Present Value of Minimum Lease Payment</u>
2017	\$ 4,547	\$ 315	\$ 4,232
2018	1,516	26	1,490
Total capital lease obligation	<u>\$ 6,063</u>	<u>\$ 341</u>	<u>\$ 5,722</u>

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

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 until a new contract was signed in June 2016. In exchange for its services, The Leona Group, LLC receives a capitation fee of 12% of the per-pupil expenditures and a Year-End fee of 50% of the audited financial statement excess of revenues over expenses, if any. On February 24, 2012 the Management Agreement was amended to remove the Year-End Fee provision. The Academy incurred capitation fees of \$390,923 for the 2016 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:

Related Party Transactions

<u>Type</u>	<u>FY2016</u>
Salaries	\$ 1,506,340
Benefits	475,910
Communications	208
Contracted trades	2,717
Materials and supplies	4,613
Other direct costs	18,162
Other professional and technical services	26,406

Total related party transactions	\$ 2,034,356

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2016
(continued)

15. RELATED PARTY TRANSACTIONS/MANAGEMENT AGREEMENT (continued)

At June 30, 2016, the Academy had a balance due to The Leona Group, LLC in the amount of \$337,203. The following is a schedule of payables to The Leona Group, LLC:

<u>Balance Due to The Leona Group, LLC</u>	<u>June 30, 2016</u>
Management fees	\$ 334,944
Payroll	(251)
Miscellaneous	<u>2,510</u>
Total	<u>\$ 337,203</u>

16. SUBSEQUENT EVENTS

Subsequent Events have been evaluated through the opinion date. As of that date, no significant subsequent events were noted.

17. MANAGEMENT'S PLANS REGARDING ACCUMULATED DEFICIT

As of the year ended June 30, 2016, the Academy has accumulated a deficit of \$261,336, net of the cumulative effects of implementing GASB 68. However, the Academy has reported a reduction in the deficit in each of the last three 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 Three Fiscal Years (1)

	<u>2015</u>	<u>2014</u>	<u>2013</u>
State Teachers Retirement System (STRS)			
Academy's proportion of the net pension liability (asset)	0.01123887%	0.00997057%	0.00997057%
Academy's proportionate share of the net pension liability (asset)	\$ 3,106,095	\$ 2,425,188	\$ 2,888,868
Academy's covered-employee payroll	\$ 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 payroll	264.89%	242.59%	282.17%
Plan fiduciary net position as a percentage of the total pension liability	72.10%	74.70%	69.30%
School Employees Retirement System (SERS)			
Academy's proportion of the net pension liability (asset)	0.00920790%	0.00894700%	0.00894700%
Academy's proportionate share of the net pension liability (asset)	\$ 525,412	\$ 452,803	\$ 532,049
Academy's covered-employee payroll	\$ 277,200	\$ 239,531	\$ 214,827
Academy's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	189.54%	189.04%	247.66%
Plan fiduciary net position as a percentage of the total pension liability	69.16%	71.70%	65.52%

(1) Information prior to 2013 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date.

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
State Teachers Retirement System (STRS)					
Contractually Required Contribution	\$ 172,318	\$ 164,162	\$ 129,960	\$ 133,096	\$ 133,507
Contributions in Relation to the Contractually Required Contribution	<u>(172,318)</u>	<u>(164,162)</u>	<u>(129,960)</u>	<u>(133,096)</u>	<u>(133,507)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Academy's covered-employee payroll	\$ 1,230,843	\$ 1,172,586	\$ 999,692	\$ 1,023,815	\$ 1,026,977
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	13.00%	13.00%	13.00%
School Employees Retirement System (SERS)					
Contractually required contribution	\$ 39,103	\$ 36,535	\$ 33,199	\$ 29,732	\$ 24,127
Contributions in relation to the contractually required contribution	<u>(39,103)</u>	<u>(36,535)</u>	<u>(33,199)</u>	<u>(29,732)</u>	<u>(24,127)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Academy's covered-employee payroll	\$ 279,307	\$ 277,200	\$ 239,531	\$ 214,827	\$ 179,383
Contributions as a percentage of covered-employee payroll	14.00%	13.18%	13.86%	13.84%	13.45%

n/a - Information prior to FY2008 not available

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
State Teachers Retirement System (STRS)					
Contractually Required Contribution	\$ 120,977	\$ 77,873	\$ 69,342	\$ 64,792	\$ 67,770
Contributions in Relation to the Contractually Required Contribution	<u>(120,977)</u>	<u>(77,873)</u>	<u>(69,342)</u>	<u>(64,792)</u>	<u>(67,770)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Academy's covered-employee payroll	\$ 930,592	\$ 599,023	\$ 533,400	\$ 498,400	\$ 521,308
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	\$ 42,158	\$ 14,911	\$ 19,772	\$ 11,888	n/a
Contributions in relation to the contractually required contribution	<u>(42,158)</u>	<u>(14,911)</u>	<u>(19,772)</u>	<u>(11,888)</u>	<u>n/a</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>n/a</u>
Academy's covered-employee payroll	\$ 335,386	\$ 110,126	\$ 200,935	\$ 121,059	n/a
Contributions as a percentage of covered-employee payroll	12.57%	13.54%	9.84%	9.82%	n/a

n/a - Information prior to FY2008 not available

WILDWOOD ENVIRONMENTAL ACADEMY
Lucas County, Ohio
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2016

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 2015.

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

STATE TEACHERS RETIREMENT SYSTEM (STRS) OF OHIO

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for fiscal year 2015.

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

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Dave Yost • Auditor of State

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, 2016, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated May 4, 2017.

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.

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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

Columbus, Ohio

May 4, 2017



Dave Yost • Auditor of State

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
JUNE 8, 2017**