West Village Academy

Financial Report
with Supplemental Information
June 30, 2018

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Independent Auditor's Report

To the Board of Directors
West Village Academy

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the remaining fund information of West Village Academy (the "Academy") as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise West Village Academy's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the remaining fund information of West Village Academy as of June 30, 2018 and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the basic financial statements, as of July 1, 2017, the Academy adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The Academy's unrestricted net position has been restated as of July 1, 2017 as a result of this change in accounting principle. Our opinion is not modified with respect to this matter.

To the Board of Directors
West Village Academy

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the major fund budgetary comparison schedule, the schedule of West Village Academy's proportionate share of the net pension liability for MPSERS determined as of the plan year ended September 30, and the schedule of West Village Academy's contributions to MPSERS determined as of the year ended June 30, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2018 on our consideration of West Village Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering West Village Academy's internal control over financial reporting and compliance.

Plante & Moran, PLLC

August 22, 2018

This section of West Village Academy's (the "Academy") annual financial report presents our discussion and analysis of the Academy's financial performance during the year ended June 30, 2018. Please read it in conjunction with the Academy's financial statements, which immediately follow this section.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand West Village Academy financially as a whole. The government-wide financial statements provide information about the activities of the whole Academy, presenting both an aggregate view of the Academy's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short term, as well as what remains for future spending. The fund financial statements look at the Academy's operations in more detail than the government-wide financial statements by providing information about the Academy's most significant fund - the General Fund - with the other fund presented in one column as the nonmajor fund Food Services Fund. The remaining statement, the statement of fiduciary assets and liabilities, presents financial information about activities for which the Academy acts solely as an agent for the benefit of students and parents. This report is comprised of the following elements:

Management's Discussion and Analysis (MD&A)
(Required Supplemental Information)

Basic Financial Statements

Government-wide Financial Statements

Fund Financial Statements

Notes to Financial Statements

Required Supplemental Information

Budgetary Information for General Fund

Schedule of the Academy's Proportionate Share of the Net Pension and OPEB Liabilities

Schedule of Pension Contributions

Other Supplemental Information

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

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

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

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

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

The Academy's fund financial statements provide detailed information about the most significant funds - not the Academy as a whole. Some funds are required to be established by state law and by bond covenants. However, the Academy establishes many other funds to help it control and manage money for particular purposes (the Food Service Fund is an example) or to show that it is meeting legal responsibilities for using grants and other money.

Governmental Funds

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

The Academy as a Whole

Recall that the statement of net position provides the perspective of the Academy as a whole. The following table provides a summary of the Academy's net position as of June 30, 2018 and 2017:

	Governmental Activites	
	2018	2017
	(in thousands)	
Assets		
Current and other assets	$ 1,396.9	$ 1,344.2
Capital assets	36.7	22.2
Total assets	1,433.6	1,366.4
Deferred Outflows of Resources	62.5	43.8
Liabilities		
Current liabilities	464.3	507.7
Noncurrent liabilities	375.1	391.3
Total liabilities	839.4	899.0
Deferred Inflows of Resources	138.7	105.1
Net Position		
Net investment in capital assets	36.7	22.2
Restricted	5.0	5.0
Unrestricted	476.3	378.9
Total net position	**$ 518.0**	**$ 406.1**

The above analysis focuses on net position. The change in net position of the Academy's governmental activities is discussed below. The Academy's net position was $518.0 thousand at June 30, 2018. Net investment in capital assets totaling $36.7 thousand compares the original cost, less depreciation of the Academy's capital assets, to long-term debt used to finance the acquisition of those assets. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Academy's ability to use that net position for day-to-day operations. The remaining amount of net position ($476.3 thousand) was unrestricted.

The $476.3 thousand in unrestricted net position of governmental activities represents the accumulated results of all past years' operations. The unrestricted net position balance enables the Academy to meet working capital and cash flow requirements, as well as to provide for future uncertainties. The operating results of the General Fund will have a significant impact on the change in unrestricted net position from year to year. The unrestricted net position balance is impacted significantly by the $375.1 thousand of net pension and OPEB liabilities and related activity arising from the underfunded MPSERS obligation.

The results of this year's operations for the Academy as a whole are reported in the condensed statement of activities below, which shows the changes in net position for the years ending June 30, 2018 and 2017.

	Governmental Activites	
	2018	2017
	(in thousands)	
Revenue		
Program revenue:		
Charges for services	$ 2.1	$ 13.4
Operating grants	1,674.5	1,494.3
General revenue:		
State aid not restricted to specific purposes	3,243.2	3,503.8
Other	6.5	8.6
Total revenue	4,926.3	5,020.1
Expenses		
Instruction	2,272.4	2,159.3
Support services	2,227.9	2,317.4
Athletics	8.0	15.9
Food services	283.7	306.4
Community services	12.1	11.6
Depreciation expense (unallocated)	10.3	7.8
Total expenses	4,814.4	4,818.4
Change in Net Position	111.9	201.7
Net Position - Beginning of year, as previously reported	502.4	300.7
Cumulative Effect of Change in Accounting	(96.3)	-
Net Position - Beginning of year	406.1	300.7
Net Position - End of year	**$ 518.0**	**$ 502.4**

As reported in the statement of activities, the cost of all of our governmental activities this year was $4,814.4 thousand. Certain activities were partially funded from those who benefited from the programs ($2.1 thousand) or by other governments and organizations that subsidized certain programs with grants and contributions ($1,674.5 thousand). We paid for the remaining "public benefit" portion of our governmental activities with $3,243.2 thousand in state foundation allowance.

The Academy experienced an increase in net position of $111.9 thousand. Key reasons for the change in net position were controlled expenditures and increase in state revenue due to increased foundation allowance.

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

As required by the Governmental Accounting Standards Board (GASB), the Academy adopted GASB Statement No. 75. This standard required the inclusion of the Academy's proportionate share of the Michigan Public School Employees' Retiree Health Care Plan within the Academy's financial statements, effective July 1, 2017. The effect of the adoption was to decrease July 1, 2017 beginning net position by $96.3 thousand and to include the net OPEB obligation and related deferred inflows and outflows of resources in the June 30, 2018 financial statements. All governments participating in the plan were required to adopt this new standard.

The Academy's Funds

As we noted earlier, the Academy uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the Academy is being accountable for the resources taxpayers and others provide to it and may provide more insight into the Academy's overall financial health.

As the Academy completed this year, the governmental funds reported a combined fund balance of $932.7 thousand, which is an increase of $96.2 thousand from last year. The primary reasons for the increase are as follows:

In the General Fund, our principal operating fund, the fund balance increased $831.5 thousand to $927.7 thousand. The change is mainly due to managing expenditures and increased foundation allowance.

Fund balance of our special revenue funds remained the same at $5.0 thousand.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2018, the Academy had $36.7 thousand invested in leasehold improvements and furniture and equipment. This amount represents a net increase (including additions, disposals, and depreciation) of approximately $14.5 thousand from last year.

This year's additions of $24.8 thousand included leasehold improvements. No major capital projects are planned for the 2018-2019 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

Debt

At the end of this year, the Academy had no long-term debt outstanding.

Economic Factors and Next Year's Budgets and Rates

Our administration considers many factors when setting the Academy's 2018- 2019 fiscal year budget. One of the most important factors affecting the budget is our student count. The state foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2018-2019 budget was adopted in June 2018 based on an estimate of students who will enroll in September 2018. Approximately 66.0 percent of total General Fund revenue is from the foundation allowance. Under state law, the Academy cannot access additional property tax revenue for general operations. As a result, the Academy's funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2018 school year, we anticipate that the fall student count will be short of close to the estimates used in creating the 2019 budget. Once the final student count and related per pupil funding is validated, state law requires the Academy to amend the budget if actual Academy resources are not sufficient to fund original appropriations.

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 to fund its appropriation to the Academy. The State periodically holds a revenue-estimating conference to estimate revenue. Based on the results of the most recent conference, it is uncertain whether state funds are sufficient to fund the appropriation.

Statement of Net Position

June 30, 2018

	Governmental Activities
Assets	
Cash (Note 4)	$ 202,093
Receivables - Due from other governments	1,151,842
Prepaid costs	43,000
Capital assets - Net (Note 6)	36,703
Total assets	1,433,638
Deferred Outflows of Resources (Note 12)	
Deferred pension costs	57,042
Deferred OPEB costs	5,426
Total deferred outflows of resources	62,468
Liabilities	
Accounts payable	114,416
Unearned revenue (Note 5)	11,483
Accrued liabilities and other:	
Payroll taxes and withholdings	220,869
Other accrued liabilities	23,535
State aid anticipation note (Note 11)	93,977
Noncurrent liabilities - Due in more than one year - Net pension and OPEB liabilities	375,139
Total liabilities	839,419
Deferred Inflows of Resources (Note 12)	
Deferred rent	31,799
Other deferred inflows	11,069
Deferred pension cost reductions	92,578
Deferred OPEB cost reductions	3,220
Total deferred inflows of resources	138,666
Net Position	
Net investment in capital assets	36,703
Restricted - Food service	4,959
Unrestricted	476,359
Total net position	**$ 518,021**

See notes to financial statements.

Statement of Activities

Year Ended June 30, 2018

	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Governmental Activities: Net (Expense) Revenue and Changes in Net Position
Functions/Programs				
Primary government - Governmental activities:				
Instruction	$ 2,272,425	$ -	$ 1,101,777	$ (1,170,648)
Support services	2,227,866	-	296,648	(1,931,218)
Athletics	7,962	-	-	(7,962)
Food services	283,706	2,145	264,263	(17,298)
Community services	12,054	-	11,854	(200)
Depreciation expense (unallocated)	10,287	-	-	(10,287)
Total primary government	**$ 4,814,300**	**$ 2,145**	**$ 1,674,542**	(3,137,613)

General revenue:	
State aid not restricted to specific purposes	3,243,157
Other sources	6,358
Total general revenue	3,249,515
Change in Net Position	111,902
Net Position - Beginning of year, as previously reported	502,432
Cumulative Effect of Change in Accounting	(96,313)
Net Position - As restated - Beginning of year	406,119
Net Position - End of year	**$ 518,021**

Governmental Funds
Balance Sheet

June 30, 2018

	General Fund	Nonmajor Food Services Fund	Total Governmental Funds
Assets			
Cash (Note 4)	$ 202,093	$ -	$ 202,093
Receivables - Due from other governments	1,151,842	-	1,151,842
Due from other fund (Note 7)	-	4,959	4,959
Prepaid costs	43,000	-	43,000
Total assets	**$ 1,396,935**	**$ 4,959**	**$ 1,401,894**
Liabilities			
Accounts payable	$ 86,138	$ -	$ 86,138
Unearned revenue (Note 5)	11,483	-	11,483
Due to other funds (Note 7)	33,237	-	33,237
Accrued liabilities and other	244,404	-	244,404
State aid anticipation note (Note 11)	93,977	-	93,977
Total liabilities	469,239	-	469,239
Fund Balances			
Nonspendable - Prepaid costs	43,000	-	43,000
Restricted - Food service	-	4,959	4,959
Unassigned	884,696	-	884,696
Total fund balances	927,696	4,959	932,655
Total liabilities and fund balances	**$ 1,396,935**	**$ 4,959**	**$ 1,401,894**

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

	June 30, 2018
Fund Balances Reported in Governmental Funds	$ 932,655
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds:	
Cost of capital assets	398,392
Accumulated depreciation	(361,689)
Net capital assets used in governmental activities	36,703
Deferred inflows related to escalating lease payments are not reported in the funds	(31,799)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Net pension liability and related deferred inflows and outflows	(315,436)
Net OPEB liability and related deferred inflows and outflows	(93,033)
Revenue in support of pension contributions made subsequent to the measurement date is reported as a deferred inflow of resources in the statement of net position and is not reported in the funds	(11,069)
Net Position of Governmental Activities	**$ 518,021**

Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2018

	General Fund	Nonmajor Food Services Fund	Total Governmental Funds
Revenue			
Local sources	$ 6,358	$ 2,145	$ 8,503
State sources	3,778,505	4,520	3,783,025
Federal sources	872,975	259,743	1,132,718
Total revenue	4,657,838	266,408	4,924,246
Expenditures - Current:			
Instruction	2,294,646	-	2,294,646
Support services	2,229,208	-	2,229,208
Athletics	7,962	-	7,962
Food services	-	284,147	284,147
Community services	12,054	-	12,054
Total expenditures	4,543,870	284,147	4,828,017
Excess of Revenue Over (Under) Expenditures	113,968	(17,739)	96,229
Other Financing Sources (Uses)			
Transfers in (Note 7)	-	17,739	17,739
Transfers out (Note 7)	(17,739)	-	(17,739)
Total other financing (uses) sources	(17,739)	17,739	-
Net Change in Fund Balances	96,229	-	96,229
Fund Balances - Beginning of year	831,467	4,959	836,426
Fund Balances - End of year	**$ 927,696**	**$ 4,959**	**$ 932,655**

Governmental Funds
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities

Year Ended June 30, 2018

Net Change in Fund Balance Reported in Governmental Funds	$	96,229
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:		
Capitalized capital outlay		24,750
Depreciation expense		(10,287)
Governmental funds report rent expenditures based on the payment amount due per the lease. The statement of activities reports escalating rent payments based on a straight-line basis		(2,862)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt); amortization of premium/discounts and inflows/outflows related to bond refundings are not expenses in the governmental funds		(31,799)
Some employee costs (pension, OPEB, compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds		35,871
Change in Net Position of Governmental Activities	**$**	**111,902**

Fiduciary Funds
Statement of Fiduciary Assets and Liabilities

June 30, 2018

	Agency Funds
Assets - Due from other fund (Note 7)	**$ 28,278**
Liabilities - Due to student activities	**$ 28,278**

See notes to financial statements.

Note 1 - Nature of Business

The accounting policies of West Village Academy (the “Academy”) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

Note 2 - Significant Accounting Policies

Reporting Entity

The Academy was formed as a charter school academy pursuant to the Michigan School Code of 1976, as amended by Act No. 362 of the Public Acts of 1993 and Act No. 416 of the Public Acts of 1994. The Academy obtained reauthorization of its charter from the Central Michigan University board of trustees not to exceed five years beginning July 1, 2014. The contract requires the Academy to act exclusively as a governmental agency and not undertake any action inconsistent with its status as an entity authorized to receive state school aid funds pursuant to the state constitution. The Central Michigan University board of trustees is the fiscal agent for the Academy and is responsible for overseeing the Academy’s compliance with the contract and all applicable laws. The Academy pays the Central Michigan University board of trustees 3.0 percent of state aid as administrative fees. The total administrative fees for the year ended June 30, 2018 to the Central Michigan University board of trustees were approximately $97,000.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units, as applicable. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes, unrestricted intergovernmental receipts, and other items not properly included among program revenue are reported instead as general revenue.

As a general rule, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions to this general rule occur when there are charges between the Academy's water and sewer function and various other functions. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

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

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the Academy has spent its resources.

Note 2 - Significant Accounting Policies (Continued)

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree healthcare-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that it is are available to pay for obligations outstanding at the end of the year. For this purpose, the Academy considers amounts collected within 60 days of year end to be available for recognition. Revenue not meeting this definition is classified as a deferred inflow of resources.

Fund Accounting

The Academy accounts for its various activities in several different funds in order to demonstrate accountability for how it spends certain resources; separate funds allow the Academy to show the particular expenditures for which specific revenue is used. The various funds are aggregated into two broad fund types:

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. Governmental funds include the General Fund and the special revenue fund. The Academy’s only major fund is the General Fund, which is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.

Additionally, the Academy reports the following nonmajor governmental fund type:

- Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes. The Academy's special revenue fund includes the Food Services Fund. Revenue sources for the Food Services Fund include sales to customers, as well as grants received from state and federal sources. Any operating deficit generated by these activities is the responsibility of the General Fund.

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts are not used to operate the Academy’s programs. Activities that are reported as fiduciary include the following:

- The Student Activity Fund is used to record the transactions of student groups for schools and school-related purposes. The funds are segregated and held in trust for the students.

Interfund Activity

During the course of operations, the Academy has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Note 2 - Significant Accounting Policies (Continued)

Specific Balances and Transactions

Cash and Investments

Cash and cash equivalents include cash on hand and demand deposits.

Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All receivables are expected to be fully collected in July and August 2018 and are considered current for the purposes of these financial statements.

Prepaid Items

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

Capital Assets

Capital assets, which include leasehold improvements and furniture and fixtures, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Leasehold improvements were fully depreciated at year end. Furniture and equipment are depreciated using the straight-line method over the useful lives of five to seven years.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

The Academy reports deferred outflows related to deferred pension and OPEB costs.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

The Academy reports deferred inflows related to revenue in support of pension contributions made subsequent to the measurement date, deferred pension and OPEB plan cost reductions, and the building lease.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The Academy itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Note 2 - Significant Accounting Policies (Continued)

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Academy's highest level of decision-making authority. The board of directors is the highest level of decision-making authority for the Academy that can, by passing a resolution prior to the end of the fiscal year, commit fund balance. Once passed, the limitation imposed by the resolution remains in place until a similar action is taken (the passing of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The board of directors may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Pension and Other Postemployment Benefit (OPEB) Plans

For purposes of measuring the net pension and net OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to each plan, and pension and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees' Retirement System (MPSERS) and additions to/deductions from MPSERS fiduciary net position have been determined on the same basis as they are reported by MPSERS. MPSERS uses the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments (including refunds of employee contributions) are recognized as expenses when due and payable in accordance with the plan benefit terms. Related plan investments are reported at fair value.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Adoption of New Accounting Pronouncements

As of June 30, 2018, the Academy adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the Academy to recognize on the face of the financial statements its proportionate share of the net OPEB liability related to its participation in the Michigan Public School Employees' Retirement System (MPSERS). The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI).

In accordance with the statement, the Academy has reported a net OPEB liability of $100,456, deferred outflows of financial resources for OPEB contributions of $8,961 made subsequent to the measurement date, and deferred inflows of financial resources for revenue received from State Aid in support of OPEB contributions of $4,818 that was received subsequent to the measurement date, as the effects of these changes in accounting principles on the Academy's net position as of July 1, 2017.

Note 2 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncements

In January 2017, the Governmental Accounting Standards Board issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Academy's financial statements for the year ending June 30, 2020.

In June 2017, the Governmental Accounting Standards Board issued GASB Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The Academy is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Academy's financial statements for the year ending June 30, 2021.

Note 3 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all special revenue funds, except that capital outlay expenditures are reported in other expenditure categories. All annual appropriations lapse at fiscal year end.

The Academy formally adopted a General Fund budget by line item and a special revenue fund budget by function for the fiscal year ended June 30, 2018. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Academy to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits districts to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. Amendments were made during the year to refine enrollment and related spending projections, as well as adjustment for amendments made to federal grants.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds

The Academy did not have significant expenditure budget variances.

Note 4 - Deposits and Investments

State statutes and the Academy's investment policy authorize the Academy to make deposits in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Academy is allowed to invest in U.S. Treasury or agency obligations, U.S. government repurchase agreements, bankers' acceptances, commercial paper rated prime at the time of purchase that matures not more than 270 days after the date of purchase, mutual funds, and investment pools that are composed of authorized investment vehicles. The Academy's deposits are in accordance with statutory authority. As of June 30, 2018, the Academy does not have any investments.

Note 4 - Deposits and Investments (Continued)

The Academy has designated one bank for the deposit of its funds.

The investment policy adopted by the board in accordance with state statutes has authorized investment in bonds and securities of the United States government; obligations, the principal and interest of which are fully guaranteed by the United States; obligations of the State; certificates of deposit issued by financial institutions organized and authorized to operate in this state; commercial paper rated prime 1 or prime 2 at the time of purchase and maturing not more than 270 days after the date of purchase; and Michigan Investment Liquid Asset Fund Plus (MILAF) investment pools, but not the remainder of state statutory authority, as listed above.

The Academy's cash is subject to custodial risk, which is examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy's investment policy requires that financial institutions be evaluated and only those with an acceptable risk level be used for the Academy's deposits for custodial credit risk. At year end, the Academy's deposit balance of $272,852 had $22,852 of bank deposits that were uninsured and uncollateralized. 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. As a result, the Academy evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 5 - Unavailable/Unearned Revenue

Governmental funds report unavailable revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the Academy had unearned revenue of $11,483 related to categorical aid payments received prior to meeting all eligibility requirements.

Note 6 - Capital Assets

Capital asset activity of the Academy's governmental activities was as follows:

Governmental Activities

	Balance July 1, 2017	Additions	Disposals	Balance June 30, 2018
Capital assets being depreciated:				
Leasehold improvements	$ 200,000	$ -	$ -	$ 200,000
Furniture and equipment	173,642	24,750	-	198,392
Subtotal	373,642	24,750	-	398,392
Accumulated depreciation:				
Leasehold improvements	200,000	-	-	200,000
Furniture and equipment	151,402	10,287	-	161,689
Subtotal	351,402	10,287	-	361,689
Net governmental activities capital assets	$ 22,240	$ 14,463	$ -	$ 36,703

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

Note 7 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Interfund balances include amounts due from the General Fund to the Food Services Fund and the fiduciary fund of $4,959 and $28,278, respectively. These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Transfers from the General Fund to the Food Services Fund represent payments to subsidize operations of the Food Services Fund in the amount of $17,739.

Note 8 - Leases

Operating Leases

The Academy has entered into an operating lease agreement for its facility with a company owned by an affiliate of its former management company through July 31, 2017, with monthly payments of $55,000. Effective August 1, 2017, the Academy entered into a new lease agreement through July 31, 2027 for its facility with a company owned by an affiliate of its former management company with monthly payments of $43,000 with 4 percent increases every two years. The Academy incurred rent expense in connection with its building leases of $528,000 for the year ended June 30, 2018.

The Academy has also entered into an operating lease agreement for office equipment. The lease term extends through June 30, 2020 with monthly payments of $596. Equipment lease expense incurred for the year ended June 30, 2018 was approximately $7,200.

Additionally, the Academy has entered into an operating lease agreement for telephone equipment. The lease term extends through July 15, 2019 with monthly payments of $434. Telephone lease expense incurred for the year ended June 30, 2018 was approximately $5,200.

The future minimum lease payments for these leases are as follows:

Years Ending	Amount
2019	$ 523,375
2020	542,078
2021	536,640
2022	556,317
2023	558,106
Thereafter	2,414,662
Total	$ 5,131,178

Note 9 - Risk Management

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

Note 10 - Management Agreement

Effective July 31, 2009, the Academy entered into a management agreement with a for-profit corporation. The management company is responsible for all human resources, personnel, payroll, benefits, and related administrative functions for the Academy. The Academy subcontracted most employees from the management company and reimburses the management company for operating costs. The administrative costs charged to the Academy by the management company were $75,253 for the year ended June 30, 2018. The agreement was renewed during June 2018 through June 30, 2019.

Note 11 - State Aid Anticipation Note

During the year ended June 30, 2018, the Academy borrowed $524,000 on a state aid anticipation note. The note requires monthly payments of $48,671 for principal and interest at 3.75 percent interest through August 20, 2018. The outstanding balance of $93,977 was fully repaid subsequent to year end.

Subsequent to year end, the Academy expects to borrow $594,000 on a state aid anticipation note. The note is expected to mature by August 2019.

Note 12 - Michigan Public School Employees' Retirement System

Plan Description

The Academy participates in the Michigan Public School Employees' Retirement System (MPSERS or the "System"), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the Academy. Certain academy employees also receive defined contribution retirement and healthcare benefits through the System. The System provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The System also provides postemployment healthcare benefits to retirees and beneficiaries who elect to receive those benefits.

The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplemental information for the pension and postemployment healthcare plans. That report is available on the web at http://www.michigan.gov/orsschools, or by writing to the Office of Retirement System (ORS) at 7150 Harris Drive, P.O. Box 30171, Lansing, MI 48909.

Benefits Provided

Benefit provisions of the defined benefit (DB) pension plan are established by state statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit pension plan.

Depending on the plan option selected, member retirement benefits are calculated as final average compensation times years of services times a pension factor ranging from 1.25 percent to 1.50 percent. The requirements to retire range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. Early retirement is computed in the same manner as a regular pension, but is permanently reduced to 0.50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age.

Depending on the member’s date of hire, MPSERS offers the option of participating in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

Members are eligible for nonduty disability benefits after 10 years of service and for duty-related disability benefits upon hire. Disability retirement benefits are determined in the same manner as retirement benefits but are payable immediately without an actuarial reduction. The disability benefits plus authorized outside earnings are limited to 100 percent of the participant's final average compensation, with an increase of 2 percent each year thereafter.

Benefits may transfer to a beneficiary upon death and are determined in the same manner as retirement benefits, but with an actuarial reduction.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustment, if applicable, is 3 percent. For some members who do not receive an annual increase, they are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

Note 12 - Michigan Public School Employees' Retirement System (Continued)

MPSERS provides medical, prescription drug, dental, and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by MPSERS with the balance deducted from the monthly pension of each retiree healthcare recipient. Depending on the member’s date of hire, this subsidized portion ranges from 80 percent to the maximum allowed by the statute.

Contributions

Public Act 300 of 1980, as amended, required the Academy to contribute amounts necessary to finance the coverage of pension benefits of active and retired members. Contribution provisions are specified by state statute and may be amended only by action of the State Legislature. Under these provisions, each school district's contribution is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance a portion of the unfunded accrued liability.

Under the OPEB plan, retirees electing this coverage contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent, or 20 percent for those not Medicare eligible, of the monthly premium amount for the health, dental, and vision coverage at the time of receiving the benefits. The MPSERS board of trustees annually sets the employer contribution rate to fund the benefits. Participating employers are required to contribute at that rate.

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

The Academy's contributions are determined based on employee elections. There are seven different benefit options included in the plan available to employees based on date of hire. Contribution rates are adjusted annually by the ORS.

The range of rates is as follows:

	Pension	OPEB
October 1, 2017 - January 31, 2018	13.54% - 17.89%	7.42% - 7.67%
February 1, 2018 - September 30, 2018	13.54% - 19.74%	7.42% - 7.67%

Depending on the plan selected, plan member contributions range from 0 percent up to 7.0 percent of gross wages. Plan members electing into the defined contribution plan are not required to make additional contributions.

The Academy's required and actual contributions to the plan for the year ended year ended June 30, 2018 were $30,329, which include the Academy's contributions required for those members with a defined contribution benefit.

The Academy's required and actual OPEB contributions to the plan for the year ended June 30, 2018 were $6,813, which include the Academy's contributions required for those members with a defined contribution benefit. The Academy's required and actual OPEB contributions does not include an allocation of revenue received from the State of Michigan and remitted to the System to fund the MPSERS unfunded actuarial accrued liability (UAAL) stabiliztion rate for the year ended June 30, 2018.

Note 12 - Michigan Public School Employees' Retirement System (Continued)

Net Pension Liability

At June 30, 2018, the Academy reported a liability of $279,900 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2016, which used updated procedures to roll forward the estimated liability to September 30, 2017. The Academy's proportion of the net pension liability was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017 and 2016, the Academy's proportion was .00108 and .00117 percent, respectively.

Net OPEB Liability

At June 30, 2018, the Academy reported a liability of $95,239 for its proportionate share of the net OPEB liability. The net OPEB liability for fiscal year 2018 was measured as of September 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2016, which used updated procedures to roll forward the estimated liability to September 30, 2017. The Academy’s proportion of the net OPEB liability was based on a projection of its long-term share of contributions to the OPEB plan relative to the projected contributions of all participating reporting units, actuarially determined. At September 30, 2017 and 2016, the Academy’s proportion was .001075 percent of MPSERS in total.

Pension Revenue and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the Academy recognized pension revenue of $(5,092), inclusive of payments to fund the MPSERS UAAL stabilization rate. At June 30, 2018, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 2,433	$ (1,373)
Changes in assumptions	30,665	-
Net difference between projected and actual earnings on pension plan investments	-	(13,381)
Changes in proportion and differences between the Academy's contributions and proportionate share of contributions	232	(77,824)
The Academy's contributions to the plan subsequent to the measurement date	23,712	-
Total	$ 57,042	$ (92,578)

The $11,069 reported as deferred inflows of resources resulting from the pension portion of state aid payments received pursuant to the UAAL payment will be recognized as state appropriations revenue for the year ended June 30, 2019. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension revenue follows:

Years Ending	Amount
2019	$ (29,005)
2020	(19,377)
2021	(7,925)
2022	(2,941)
Total	$ (59,248)

Note 12 - Michigan Public School Employees' Retirement System (Continued)

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year.

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

For the years ended June 30, 2018, the Academy recognized OPEB expense of $95,239.

At June 30, 2018, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ (1,014)
Net difference between projected and actual earnings on OPEB plan investments	-	(2,206)
Changes in proportionate share or difference between amount contributed and proportionate share of contributions	5	-
Employer contributions to the plan subsequent to the measurement date	5,421	-
Total	$ 5,426	$ (3,220)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (note that employer contributions subsequent to the measurement date will reduce the net OPEB liability and, therefore, will not be included in future OPEB expense):

Years Ending	Amount
2019	$ (777)
2020	(777)
2021	(777)
2022	(777)
2023	(107)
Total	$ (3,215)

Actuarial Assumptions

The total pension liability as of September 30, 2017 is based on the results of an actuarial valuation as of September 30, 2016 and rolled forward. The total pension and OPEB liability was determined using the following actuarial assumptions:

Actuarial cost method		Entry age normal cost actuarial cost method
Investment rate of return - Pension	7.00% - 7.50%	Net of investment expenses based on the groups
Investment rate of return - OPEB	7.50%	Including wage inflation of 3.50%
Salary increases	3.50% - 12.30%	0
Healthcare cost trend rate	7.50%	Year 1 graded to 3.5% year 12
Mortality basis		RP2000 Combined Healthy Mortality Table, adjusted for mortality improvements to 2025 using projection scale BB
Cost-of-living pension adjustments	3.00%	Annual noncompounded for MIP members

Assumption changes as a result of an experience study for the periods from 2007 to 2012 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2014 valuation.

Note 12 - Michigan Public School Employees' Retirement System (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00 - 7.50 percent, depending on the plan option. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that district contributions will be made at statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic equity pools	28.00 %	5.60 %
Private equity pools	18.00	8.70
International equity pools	16.00	7.20
Fixed-income pools	10.50	(0.10)
Real estate and infrastructure pools	10.00	4.20
Real return, opportunistic, and absolute pool	15.50	5.00
Short-term investment pools	2.00	(0.90)
Total	100.00 %	

On February 23, 2017, MPSERS approved a decrease in the discount rate for the September 30, 2016 annual actuarial valuation of 0.5 percent. As a result, the actuarial computed employer contributions and the net pension liability will increase for the measurement period ending September 30, 2018.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Academy, calculated using the discount rate of 7.00 - 7.50 percent, depending on the plan option. The following also reflects what the Academy's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00 - 7.00 percent) or 1 percentage point higher (8.00 - 9.00 percent) than the current rate:

	1 Percent Decrease (6.00 - 6.50%)	Current Discount Rate (7.00 - 7.50%)	1 Percent Increase (8.00 - 8.50%)
Net pension liability of the Academy	$ 364,616	$ 279,900	$ 208,574

Pension Plan Fiduciary Net Position

The following presents the net OPEB liability of the Academy, calculated using the current discount rate. It also reflects what the Academy's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

Note 12 - Michigan Public School Employees' Retirement System (Continued)

	1 Percent Decrease (6.50%)	Current Discount Rate (7.50%)	1 Percent Increase (8.50%)
Net OPEB liability of the Academy	$ 111,552	$ 9,539	$ 81,394

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Tend Rate

The following presents the net OPEB liability of the Academy, calculated using the current healthcare cost trend rate. It also reflects what the Academy's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (6.50%)	Current Discount Rate (7.50%)	1 Percent Increase (8.50%)
Net OPEB liability of the Academy	$ 80,654	$ 95,239	$ 111,798

Pension Plan and OPEB Plan Fiduciary Net Position

Detailed information about the plan’s fiduciary net position is available in the separately issued MPSERS financial report.

Payable to the Pension Plan

At June 30, 2018, the Academy had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

Required Supplemental Information

Required Supplemental Information
Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	(Under) Over Final Budget
Revenue				
Local sources	$ 6,100	$ 6,500	$ 6,358	$ (142)
State sources	3,974,385	3,765,550	3,778,505	12,955
Federal sources	910,339	888,666	872,975	(15,691)
Total revenue	4,890,824	4,660,716	4,657,838	(2,878)
Expenditures				
Current:				
Instruction:				
Basic programs	1,672,255	1,617,327	1,577,814	(39,513)
Added needs	809,591	763,066	716,832	(46,234)
Total instruction	2,481,846	2,380,393	2,294,646	(85,747)
Support services:				
Pupil	274,503	235,343	242,321	6,978
Instructional staff	171,548	193,054	163,336	(29,718)
General administration	242,523	236,878	249,258	12,380
School administration	465,742	432,405	434,439	2,034
Business	68,047	66,338	68,480	2,142
Operations and maintenance	964,189	948,447	939,864	(8,583)
Pupil transportation services	134,160	112,929	112,682	(247)
Central	19,410	18,828	18,828	-
Total support services	2,340,122	2,244,222	2,229,208	(15,014)
Athletics	7,192	2,814	7,962	5,148
Community services	14,453	11,488	12,054	566
Total expenditures	4,843,613	4,638,917	4,543,870	(95,047)
Excess of Revenue Over Expenditures	47,211	21,799	113,968	92,169
Other Financing Uses - Transfer out	(44,212)	(19,020)	(17,739)	1,281
Net Change in Fund Balance	2,999	2,779	96,229	93,450
Fund Balance - Beginning of year	831,467	831,467	831,467	-
Fund Balance - End of year	**$ 834,466**	**$ 834,246**	**$ 927,696**	**$ 93,450**

See notes to pension required supplemental information schedules.

Required Supplemental Information
Schedule of Proportionate Share of the Net Pension Liability
Michigan Public School Employees' Retirement System

Last Four Plan Years

Plan Years Ended September 30

	2017	2016	2015	2014
Academy's proportion of the net pension liability (asset)	0.00108 %	0.00117 %	0.00140 %	0.00175 %
Academy's proportionate share of the net pension liability (asset)	$ 279,900	$ 290,835	$ 342,954	$ 384,594
Academy's covered employee payroll	$ 90,000	$ 85,846	$ 97,356	$ 158,049
Academy's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	311.00 %	338.79 %	352.27 %	243.34 %
Plan fiduciary net position as a percentage of total pension liability	63.96 %	63.01 %	62.92 %	66.20 %

See notes to pension required supplemental information schedules.

Required Supplemental Information
Schedule of Pension Contributions
Michigan Public School Employees' Retirement System

Last Four Fiscal Years

Years Ended June 30

	2018	2017	2016	2015
Statutorily required contribution	$ 28,195	$ 25,973	$ 28,608	$ 26,149
Contributions in relation to the statutorily required contribution	28,195	25,973	28,608	26,149
Contribution Deficiency	$ -	$ -	$ -	$ -
Academy's Covered Employee Payroll	$ 94,231	$ 93,462	$ 97,529	$ 131,342
Contributions as a Percentage of Covered Employee Payroll	29.92 %	27.79 %	29.33 %	19.91 %

See notes to pension required supplemental information schedules.

Required Supplemental Information
Schedule of Proportionate Share of the Net OPEB Liability
Michigan Public School Employees' Retirement System

Last One Plan Year

Plan Year Ended September 30

	2017
Academy's proportion of the net OPEB liability (asset)	0.00108 %
Academy's proportionate share of the net OPEB liability (asset)	$ 95,239
Academy's covered employee payroll	$ 90,000
Academy's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	105.82 %
Plan fiduciary net position as a percentage of total OPEB liability	36.53 %

Note: GASB 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

See notes to pension required supplemental information schedules.

Required Supplemental Information
Schedule of OPEB Contributions
Michigan Public School Employees' Retirement System

Last One Fiscal Year

Year Ended June 30

	2018
Statutorily required contribution	$ 6,813
Contributions in relation to the statutorily required contribution	6,813
Contribution Deficiency	**$ -**
Academy's Covered Employee Payroll	$ 94,231
Contributions as a Percentage of Covered Employee Payroll	7.23 %

See notes to pension required supplemental information schedules.

Pension Information

Ultimately, 10 years of data will be presented in both of the pension related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

Benefit Changes

There were no changes of benefit terms in 2017.

Changes in Assumptions

On February 23, 2017, MPSERS approved a decrease in the discount rate for the September 30, 2016 annual actuarial valuation of 0.5 percent to 7.00 percent-7.50 percent based on the group.

Covered Payroll

The employers' covered payroll to be reported in the required supplemental information is defined by GASB 82, *Pension Issues - an amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based; and by GASB 85, *Omnibus 2017,* as payroll on which contributions to the OPEB plan are based. For the Academy, covered payroll represents payroll on which contributions to both plans are based.

OPEB Information

Ultimately, 10 years of data will be presented in both of the OPEB related schedules. The number of years currently presented represents the number of years since the accounting standard requiring these schedules first became applicable.

Benefit Changes

There were no changes of benefit terms in 2017.

Changes in Assumptions

There were no changes of benefit assumptions in 2017.

Covered Payroll

The employers' covered payroll to be reported in the required supplemental information is defined by GASB 82, *Pension Issues - an amendment to GASB Statements No. 67, No. 68, and No. 73*, as payroll on which contributions to a pension plan are based; and by GASB 85, *Omnibus 2017*, as payroll on which contributions to the OPEB plan are based. For the Academy, covered payroll represents payroll on which contributions to both plans are based.

West Village Academy

Federal Awards
Supplemental Information

June 30, 2018

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Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Directors
West Village Academy

We have audited the financial statements of the governmental activities, the major fund, and the remaining fund information of West Village Academy (the "Academy") as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements. We issued our report thereon dated August 22, 2018, which contained an unmodified opinion on the financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to August 22, 2018.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis, as required by the Uniform Guidance, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

August 22, 2018

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Board of Directors
West Village Academy

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the remaining fund information of West Village Academy (the "Academy") as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements and have issued our report thereon dated August 22, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

To Management and the Board of Directors
West Village Academy

Purpose of this Report

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

Plante & Moran, PLLC

August 22, 2018

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Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

To the Board of Directors
West Village Academy

Report on Compliance for Each Major Federal Program

We have audited West Village Academy's (the "Academy") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the Academy's major federal program for the year ended June 30, 2018. The Academy's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Academy's major federal program based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Academy's compliance.

Opinion on Each Major Federal Program

In our opinion, the Academy complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Academy is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Academy's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control over compliance.

To the Board of Directors
West Village Academy

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention of those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding 2018-001, that we consider to be a material weakness.

The Academy's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. The Academy's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

August 22, 2018

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2018

Program Title/Project Number/Subrecipient Name	Grant/Project Number	CFDA Number	Approved Awards Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue at July 1, 2017	Federal Funds/ Payments in Kind Received	Expenditures	Accrued Revenue at June 30, 2018
Clusters:								
Child Nutrition Cluster - U.S. Department of Agriculture -								
Passed through the Michigan Department of Education:								
Noncash Assistance (Commodities) - National School								
Lunch Program - Entitlement Commodities - 2017/2018	N/A	10.555	$ 4,896	$ -	$ -	$ 4,896	$ 4,896	$ -
Cash Assistance:								
National School Lunch Program - 2016/2017	171960	10.555	182,815	169,740	11,932	25,007	13,075	-
National School Lunch Program - 2017/2018	181960	10.555	158,101	-	-	158,101	158,101	-
National School Lunch Program Subtotal			340,916	169,740	11,932	183,108	171,176	-
National School Breakfast Program - 2016/2017	171970	10.553	68,402	63,411	4,610	9,601	4,991	-
National School Breakfast Program - 2017/2018	181970	10.553	55,318	-	-	55,318	55,318	-
National School Breakfast Program Subtotal			123,720	63,411	4,610	64,919	60,309	-
Total Child Nutrition Cluster			469,532	233,151	16,542	252,923	236,381	-
Special Education Cluster - U.S. Department of Education -								
Passed through the Wayne Regional Education Service Agency -								
Special Education - Grants to States (IDEA, Part B):								
IDEA, Part B 1617	2016/2017	84.027	89,962	89,962	89,962	89,962	-	-
IDEA, Part B 1718	2017/2018	84.027	105,965	-	-	-	105,965	105,965
Total Special Education Cluster		84.027	195,927	89,962	89,962	89,962	105,965	105,965
Total cluster programs			665,459	323,113	106,504	342,885	342,346	105,965
Other federal awards - Passed through the Michigan Department								
of Education - 21st Century Community Learning Centers:								
21st Century Community Learning Centers 1617	172110H13065	84.287	540,000	521,098	78,975	78,975	-	-
21st Century Community Learning Centers 1718	182110H13065	84.287	540,000	-	-	259,633	515,738	256,105
Total 21st Century Community Learning Centers		84.287	1,080,000	521,098	78,975	338,608	515,738	256,105

See notes to schedule of expenditures of federal awards.

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2018

Program Title/Project Number/Subrecipient Name	Grant/Project Number	CFDA Number	Approved Awards Amount	Expenditures	Accrued Revenue at June 30, 2016	Federal Funds/ Payments in Kind Received	Expenditures	Accrued Revenue at June 30, 2016
Other federal awards - Passed through the Michigan Department of Education (Continued):								
Improving Teacher Quality - Title II Part A:								
Title II, Part A 1617	1705201617	84.367	$ 24,150	$ 22,477	$ 11,566	$ 11,566	$ -	$ -
Title II, Part A 1718	1805201718	84.367	37,365	-	-	11,378	32,036	20,658
Total Improving Teacher Quality - Title II Part A		84.367	61,515	22,477	11,566	22,944	32,036	20,658
CACFP Meals - 2017/2018	181920/182010	10.558	23,362	-	-	20,391	23,362	2,971
Title I, Part A:								
Title I, Part A 1617	171530	84.010	275,290	266,360	20,111	20,111	-	-
Title I, Part A 1718	181530	84.010	255,790	-	-	119,519	219,236	99,717
Total Title I, Part A		84.010	531,080	266,360	20,111	139,630	219,236	99,717
Total noncluster programs passed through the Michigan Department of Education			1,695,957	809,935	110,652	521,573	790,372	379,451
Total federal awards			**$ 2,361,416**	**$ 1,133,048**	**$ 217,156**	**$ 864,458**	**$ 1,132,718**	**$ 485,416**

See notes to schedule of expenditures of federal awards.

Notes to Schedule of Expenditures of Federal Awards

June 30, 2018

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of West Village Academy (the "Academy") under programs of the federal government for the year ended June 30, 2018. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the Academy, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Academy.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The Academy has elected to use the 10 percent *de minimis* indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

Note 3 - Grant Auditor Report

Management has utilized the Cash Management System (CMS) Grant Auditor Report in preparing the schedule of expenditures of federal awards. Unreconciled differences, if any, have been disclosed to the auditor.

Note 4 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of the Uniform Guidance.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
• Material weakness(es) identified?	___ Yes	X No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	___ Yes	X None reported
Noncompliance material to financial statements noted?	___ Yes	X None reported

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	X Yes	___ No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	___ Yes	X None reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)?	X Yes	___ No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
84.287	21st Century Community Learning Centers

Dollar threshold used to distinguish between type A and type B programs:	$750,000	
Auditee qualified as low-risk auditee?	X Yes	___ No

Section II - Financial Statement Audit Findings

Reference Number	Finding
Current Year	None

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2018

Section III - Federal Program Audit Findings

Reference Number	Finding	Questioned Costs
2018-001	**CFDA Number, Federal Agency, and Program Name** - 21st Century Community Learning Centers - CFDA #84.287 **Federal Award Identification Number and Year** - 21st Century Community Learning Centers CFDA #84.287: 172110H13065 **Pass-through Entity** - Michigan Department of Education **Finding Type** - Material weakness and material noncompliance with laws and regulations **Repeat Finding** - No **Criteria** - Payroll expenditures charged to the federal program are required to be monitored for the availability of funds under OMB 2 CFR 215. **Condition** - The Academy incurred allowable expenditures after the period of availability, as defined in the grant agreement. **Questioned Costs** - None **Identification of How Questioned Costs Were Computed** - Not applicable **Context** - Program expenditures improperly charged outside the period of availability approximated 1 percent of the total grant expenditures. **Cause and Effect** - Four employees providing allowable summer schools services in July 2017 received a payroll advance in June 2017. The advanced wages were charged to the 16/17 grant period though services had not yet been provided. Certified timesheets misrepresented service dates, as processed by the grant coordinator. The Academy did not detect or prevent this payroll advance and improper program charges due to a weakness in the timesheet review procedures. **Recommendation** - The Academy should implement a more stringent review process over payroll costs to ensure all expenditures occur within the grant period of availability. **Views of Responsible Officials and Corrective Action Plan** - The Academy concurs with the finding as to the expenses not being recorded in the proper grant period of availability and will implement enhanced time sheet review protocols to detect improprieties in future periods.	None