

**WILDWOOD ENVIRONMENTAL ACADEMY
LUCAS COUNTY**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2012

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Dave Yost • Auditor of State

Board of Directors
Wildwood Environmental Academy
1546 Dartford Road
Maumee, Ohio 43537

We have reviewed the *Independent Auditors' Report* of the Wildwood Environmental Academy, Lucas County, prepared by Gilmore Jasion & Mahler, LTD, for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

February 28, 2013

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WILDWOOD ENVIRONMENTAL ACADEMY

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GILMORE, JASION & MAHLER, LTD

INDEPENDENT AUDITORS' REPORT

Board of Directors
Wildwood Environmental Academy

We have audited the accompanying financial statements of Wildwood Environmental Academy (the Academy), as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Academy, as of June 30, 2012, and the changes in financial position, and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2012 on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Gilmore, Jasion & Mahler, LTD

December 20, 2012

WILDWOOD ENVIRONMENTAL ACADEMY
LUCAS COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

The management's discussion and analysis of Wildwood Environmental Academy's financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the academy's financial performance as a whole; readers should review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

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

Financial Highlights

- In total, net assets (deficit) were \$(282,857) in 2012.
- Total assets were \$213,760 in 2012.
- Liabilities were \$496,617 in 2012.

Using this Annual Report

This report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a statement of net assets (deficit), a statement of revenues, expenses, and changes in net assets (deficit), and a statement of cash flows.

Statement of Net Assets (Deficit)

The statement of net assets (deficit) answers the question, "How did we do financially during 2012?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private sector companies. This basis of accounting takes into the account all revenues and expenses during the year, regardless of when cash is received or paid.

WILDWOOD ENVIRONMENTAL ACADEMY
LUCAS COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Table I provides a summary of the Academy's net assets for fiscal years 2012 and 2011:

TABLE I	Governmental Activities	
	June 30	
	2012	2011
Assets		
Current Assets	\$ 155,777	\$ 114,710
Non-Current Assets	7,041	7,042
Capital Assets - Net	50,942	202,699
Total assets	213,760	324,451
Liabilities		
Current Liabilities	496,617	553,732
Non-current Liabilities		165,146
Total liabilities	496,617	718,878
Net Assets (Deficit)		
Invested in capital assets—net of related debt	50,942	59,960
Unrestricted	(333,799)	(454,387)
Total net assets (deficit)	\$ (282,857)	\$ (394,427)

Total net deficit for the Academy decreased \$111,570 mostly due to decrease in the liability for delinquent property taxes. Net Capital Assets decreased \$151,757 mostly due to the sale of buses acquired in FY2011. Total liabilities decreased \$222,261 due to the assumption of the bus-related debt by the purchasing party, and the payment of facilities-related debt.

WILDWOOD ENVIRONMENTAL ACADEMY
LUCAS COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Table 2 shows the changes in net assets (deficit) for fiscal years 2012 and 2011, as well as a listing of revenues and expenses.

TABLE 2	Governmental Activities	
	June 30	
	2012	2011
Operating Revenues		
Foundation Payments	\$ 2,363,704	\$ 2,275,204
Food Services	15,721	15,778
Transportation Revenues		256,049
Other Revenues	34,753	1,037
Nonoperating Revenues		
Federal Grants	482,887	545,864
State Grants	1,448	5,640
Contributions and Donations	13,507	4,926
Total revenue	2,912,020	3,104,498
Operating Expenses		
Purchased Services	2,586,619	2,818,919
Materials and Supplies	93,163	198,671
Depreciation (unallocated)	32,088	55,748
Other expenses	59,139	90,951
Nonoperating Expenses		
Interest	4,130	16,089
Taxes	25,133	117,958
Other	178	12,932
Total expenses	2,800,450	3,311,268
Increase (Decrease) in Net Assets (Deficit)	\$ 111,570	\$ (206,770)

Net assets increased \$111,570. Transportation revenues were eliminated in 2012 due to the formation of a district transportation service. Taxes decreased by \$92,825 due to a court ruling declaring rental property tax exempt, and operating expenses decreased \$393,280 mostly due to the transportation operation being sold to another entity.

WILDWOOD ENVIRONMENTAL ACADEMY
LUCAS COUNTY
MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Capital Assets

At the end of fiscal year 2012, the Academy had \$50,942 invested in furniture, fixtures, and equipment (net of depreciation). Table 3 shows capital assets (net of depreciation) for the fiscal years 2012 and 2011.

TABLE 3

	2012	2011
Furniture, fixtures and equipment	\$ 40,621	\$ 40,544
Leasehold Improvements	10,321	15,117
Vehicles	0	147,038
Total Capital Assets	\$ 50,942	\$ 202,699

For more information on capital assets, see Note 5 to the basic financial statements.

Current Financial Issues

Wildwood Environmental Academy was formed in 2004 under a contract with the Ohio Council of Community Schools. During the 2011-2012 school year there were 278 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Foundation payments for fiscal year 2012 amounted to \$2,363,704.

Contacting the School's Financial Management

The financial report is designed to provide our citizens with a general overview of the Academy's finances and to show the Academy's accountability for the funds it receives. If you have questions about this report or need additional information, contact Don Ash, Fiscal Officer of Wildwood Environmental Academy, 4660 S. Hagadorn Road, Suite 500, East Lansing, Michigan 48823 or e-mail at don.ash@leonagroup.com.

**Wildwood Environmental Academy
LUCAS COUNTY**

STATEMENT OF NET ASSETS
JUNE 30, 2012

Assets

Current Assets:

Cash and Cash Equivalents	\$	29,447
Accounts Receivable		11,486
Intergovernmental Receivables		106,304
Prepaid Items		8,540
<i>Total Current Assets</i>		155,777

Non-Current Assets:

Security Deposit		7,042
Capital Assets:		
Depreciable Capital Assets, Net		50,942
<i>Total Non-Current Assets</i>		57,984

<i>Total Assets</i>		213,761
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Liabilities

Current Liabilities:

Accounts Payable		33,496
Accrued Wages Payable		138,288
STRS-SERS Payable		26,393
Contracts Payable		240,381
Accrued Real Estate Tax Liability		18,145
Other Current Liabilities		39,914
<i>Total Current Liabilities</i>		496,617

<i>Total Liabilities</i>		496,617
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Net Assets

Invested in Capital Assets, Net of Related Debt		50,942
Unrestricted		(333,799)
<i>Total Net Assets</i>	\$	(282,857)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Wildwood Environmental Academy
LUCAS COUNTY**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Operating Revenues	
Foundation Payments	\$ 2,363,704
Food Services	15,721
Other Revenues	<u>34,754</u>
<i>Total Operating Revenues</i>	<u>2,414,179</u>
Operating Expenses	
Salaries	1,192,687
Benefits	429,883
Purchased Services	964,049
Materials and Supplies	93,162
Depreciation	32,088
Other	<u>59,139</u>
<i>Total Operating Expenses</i>	<u>2,771,008</u>
<i>Operating Loss</i>	<u>(356,830)</u>
Non-Operating Revenues and Expenses	
Federal Grants	482,709
State Grants	1,448
Contributions and Donations	13,507
Taxes	(25,133)
Interest and Fiscal Charges	<u>(4,130)</u>
<i>Total Non-Operating Revenues and Expenses</i>	<u>468,401</u>
<i>Change in Net Assets</i>	111,571
<i>Net Assets Beginning of Year</i>	<u>(394,428)</u>
<i>Net Assets End of Year</i>	<u><u>\$ (282,857)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Wildwood Environmental Academy
LUCAS COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:

Cash Received from State of Ohio	\$ 2,313,410
Cash Received for Food Services	15,786
Cash Received for Transportation Revenues	6,469
Cash Received from Other Operating Revenues	24,409
Proceeds of Short Term Loans	19,800
Repayment of Short-Term Loans	(23,900)
Cash Payments to Suppliers for Goods and Services	<u>(2,666,034)</u>

Net Cash Used for Operating Activities (310,060)

Cash Flows from Noncapital Financing Activities:

Federal Grants Received	464,171
State Grants Received	1,448
Principal Payments	(40,870)
Interest Payments	(3,416)
Taxes	<u>(88,141)</u>

Net Cash Provided by Noncapital Financing Activities 333,192

Cash Flows from Capital and Related Financing Activities:

Payments for Capital Acquisitions	(11,326)
Proceeds from Sale of Assets	<u>7,519</u>

Net Cash Used for Capital and Related Financing Activities (3,807)

Net Increase in Cash and Cash Equivalents 19,325

Cash and Cash Equivalents at Beginning of Year 10,122

Cash and Cash Equivalents at End of Year \$ 29,447

(Continued)

**Wildwood Environmental Academy
LUCAS COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)

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

Operating Loss	\$ (356,830)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation	32,088
Changes in Assets and Liabilities:	
(Increase)/Decrease in Accounts Receivable	14,986
(Increase)/Decrease in Intergovernmental Receivable	(18,358)
(Increase)/Decrease in Prepaid Items	10,561
Increase/(Decrease) in Accounts Payable	(23,294)
Increase/(Decrease) in STRS-SERS Payable	965
Increase/(Decrease) in Accrued Wages Payable	(21,150)
Increase/(Decrease) in Intergovernmental Payable	(35,928)
Increase/(Decrease) in Contracts Payable	<u>86,900</u>
<i>Total Adjustments</i>	<u>46,770</u>
<i>Net Cash Used by Operating Activities</i>	<u><u>\$ (310,060)</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**WILDWOOD ENVIRONMENTAL ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

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

On April 2, 2003, the Academy was approved for operation under contract with the Ohio Council of Community Schools (the "Sponsor") for a period of four years through June 30, 2007. The contract has since been extended for a period of seven years through June 30, 2014. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The total sponsor fees paid to the Ohio Council of Community Schools for the fiscal year ended June 30, 2012 totaled approximately \$69,340.

The Academy operates under the direction of a five-member board of directors, which also is the governing board for another Leona Group, LLC-managed school. The board of directors is responsible for carrying out the provisions of the contract which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards, and qualifications of teachers. The board of directors controls the Academy's instructional/support facility staffed by 10 certified full-time teaching personnel and 12 non-certificated personnel who provide services to 278 students.

The governing board has entered into a management contract with The Leona Group, LLC (TLG), a for-profit limited liability corporation, for management services and operation of the Academy. TLG operates the Academy's instructional/support facility, is the employer of record for all personnel, and supervises and implements the curriculum. In exchange for its services, TLG receives a capitation fee (see Note 14).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

**WILDWOOD ENVIRONMENTAL ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Measurement Focus and Basis of Accounting

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

C. Basis of Accounting

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

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

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

Expenses are recognized at the time they are incurred.

D. Budgetary Process

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

E. Cash and Cash Equivalents

Cash received by the Academy is reflected as "Cash and Cash Equivalents" on the Statement of Net Assets. The Academy had no investments during the fiscal year ended June 30, 2012.

F. Receivables

Accounts receivable and intergovernmental receivables at June 30, 2012 are considered collectible in full and will be received within one year.

**WILDWOOD ENVIRONMENTAL ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2012 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expense is reported in the year in which the services are consumed.

H. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Academy maintains a capitalization threshold of \$1,000 for furniture and equipment, land, and buildings, or any one item costing under \$1,000 alone but purchased in a group for over \$2,500. Software costing more than \$10,000 per application is also capitalized. The Academy does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Furniture, Fixtures and Equipment	7 years
EDP Equipment and Software	3 years
Non-EDP Equipment	6 years

I. Operating Revenues and Expenses

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

The state foundation revenue is determined based on the student count and the foundation allowance per pupil. Approximately 81.2 percent of revenue is from the foundation allowance. As a result, Academy funding is heavily dependent on the State's ability to fund local school operations. Since the Academy's revenue is heavily dependent on state funding and the health of the State's School Aid Fund, the actual revenue received depends on the State's ability to collect revenue. The impact on the Academy of the State's projected revenue is not known.

J. Intergovernmental Revenue

The Academy currently participates in the State Foundation Program and the state Poverty Based Assistance (PBA) program. Revenue received from these programs is recognized as operating revenue in the accounting period in which all eligibility requirements have been met.

**WILDWOOD ENVIRONMENTAL ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Estimates

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

L. Tax Status

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

3. DEPOSITS

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

A. 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 deposit policy requires that financial institutions be evaluated and only those with an acceptable risk level for custodial risk are used for the Academy's deposits; however, the Academy believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. At June 30, 2012, the Academy's deposit balance of \$29,447 had no bank deposits (checking and savings accounts) that were uninsured and collateralized.

4. RECEIVABLES

Receivables at June 30, 2012, consisted primarily of intergovernmental grants. All receivables are considered collectible in full and will be received within one year.

<u>Receivables</u>	<u>2012</u>	A summary of the principal items of receivables follows:
Title I	\$ 42,916	
Title IIA	416	
Edujobs	20,179	
Race to the Top	1,165	
Special Ed Part B	10,135	
Child Nutrition	6,666	
State Aid Underpayment	14,365	
Medicaid	10,462	
Utility Refund	1,093	
Property Tax Refund	\$ 10,393	
Total	<u>\$ 117,790</u>	

**WILDWOOD ENVIRONMENTAL ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012:

	<u>Balance 6/30/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/12</u>
Business-Type Activity				
Capital Assets Being Depreciated				
Furniture, Fixtures, and Equipment	255,125	27,369	7,350	275,144
Leasehold Improvements	319,731		-	319,731
Vehicles	155,000		155,000	0
Total Capital Assets				
Being Depreciated	<u>729,856</u>	<u>27,369</u>	<u>162,350</u>	<u>594,875</u>
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	(214,581)	(27,292)	(7,350)	(234,523)
Leasehold Improvements	(304,614)	(4,796)	-	(309,410)
Vehicles	(7,962)	-	(7,962)	-
Total Accumulated Depreciation	<u>(527,157)</u>	<u>(32,088)</u>	<u>(15,312)</u>	<u>(543,933)</u>
Total Capital Assets				
Being Depreciated, Net	<u><u>202,699</u></u>	<u><u>(4,719)</u></u>	<u><u>147,038</u></u>	<u><u>50,942</u></u>

\$13,507 in capital assets were acquired via donation from another charter academy who formerly occupied one of the properties leased by Wildwood Environmental Academy during 2012. Many of the students transferred to Wildwood at the beginning of the year. As the assets were purchased with federal funds, it was decided that the assets would stay with the students for whose benefit they were originally purchased.

6. RISK MANAGEMENT

A. Property and Liability

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the Academy contracted with Willis of Illinois, Inc. for general liability, property insurance and educational errors and omissions insurance.

Coverage is as follows:

Educator's Legal Liability:	Part 1, D&O Liability	\$2,000,000
	Part 2, Employment Practices	2,000,000
	Aggregate, All Parts	2,000,000
General Liability:	Per occurrence	1,000,000
	Aggregate	2,000,000
	Personal & ADV Injury	1,000,000
	Automobile - Hired and Not Owned CSL	1,000,000
Property:	Personal Property	230,000
	Buildings per Lease Agreement	3,030,000
	BI	100,000
	Umbrella	8,000,000

**WILDWOOD ENVIRONMENTAL ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

6. RISK MANAGEMENT (Continued)

B. Workers' Compensation

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

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Academy contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Plan members are required to contribute 10% of their annual covered salary and the Academy is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2012, the allocation to pension and death benefits is 12.70%. The remaining 1.30% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The School District's contributions to SERS for the years ended June 30, 2012, 2011, and 2010 were \$22,782, \$39,609 and \$13,803, respectively, which equaled the required contributions each year.

B. State Teachers Retirement System of Ohio

The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS Ohio issues a publicly available financial report that includes financial statement and required supplementary information. The report may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or on an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum

**WILDWOOD ENVIRONMENTAL ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (continued)

B. State Teachers Retirement System of Ohio (continued)

withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB Plan or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2012, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2012, 2011 and 2010 were \$ 133,507, \$120,977 and \$77,873 respectively; 100 percent has been contributed for all years.

8. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

The Medicare Part B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2012 was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2012, the actuarially required allocation is .75%. The Academy's contributions for the years ended June 30, 2012, 2011 and 2010 were \$1,345, \$2,549 and \$1,108, respectively, which equaled the required contributions each year.

**WILDWOOD ENVIRONMENTAL ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

8. POSTEMPLOYMENT BENEFITS (continued)

A. School Employees Retirement System (continued)

Health Care Plan ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2012, the health care allocation is .55%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2012, the minimum compensation level was established at \$35,800. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The Academy's contributions assigned to health care for the years ended June 30, 2012, 2011, and 2010 were \$5,586, \$6,998 and \$2,962, respectively.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status. The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

B. State Teachers Retirement System of Ohio

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

Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The Academy's contributions for health care for the fiscal years ended June 30, 2012, 2011 and 2010 were \$10,270, \$9,305, and \$5,990 respectively. 100 percent has been contributed for all years.

**WILDWOOD ENVIRONMENTAL ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

9. CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2012.

B. Ohio Department of Education Enrollment Review

The Ohio Department of Education reviews enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews ensure the schools are reporting accurate student enrollment data of the State, upon which state foundation funding is calculated. The conclusion of this review could result in state funding being adjusted. The review of fiscal year 2012 resulted in an increase in foundation funding of \$14,365.

10. PURCHASED SERVICE EXPENSES

For the period ended June 30, 2012, purchased service expenses were payments for services rendered by various vendors, as follows:

	2012
Other Professional and Technical Services	\$ 167,196
The Leona Group, LLC	219,496
Legal Services	9,397
Ohio Council of Community Schools	69,340
Cleaning Services	43,593
Repairs and Maintenance	32,356
Building Rental	203,429
Other Rentals	10,242
Pest Control	3,746
Travel Expense	2,378
Communication	29,377
Advertising	22,332
Utilities	49,580
Contracted Food Service	75,917
Pupil Transportation	25,669
Total Purchased Services	\$ 964,049

**WILDWOOD ENVIRONMENTAL ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

11. OPERATING LEASES

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

On February 23, 2012, the Academy entered into a lease of a second facility for the period from August 1, 2012 through June 30, 2017 with Leona Wildwood Property Acquisition with annual rent of \$120,000. As of November 1, 2012, occupancy has been delayed and lease payments have not begun. Occupancy is expected to take place sometime in November, 2012. Arrangements have been made to temporarily occupy two separate facilities at a cost not to exceed \$10,000 per month during construction of the Leona Wildwood property. As of November 1, 2012, the Academy has paid \$10,000 total rent to temporary facilities.

The following is a schedule of the future minimum payments required under the operating leases as of June 30, 2012:

Fiscal Year Ending June 30,	<u>Facility Lease</u>
2013	202,954
2014	212,954
2015	135,493
2016	120,000
2017	120,000
Total minimum lease payments	<u><u>\$ 791,401</u></u>

**WILDWOOD ENVIRONMENTAL ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

12. NOTES PAYABLE

Debt Activity During 2012 was as follows:

	Balance at 06/30/11	Additions	Reductions	Balance at 06/30/12
TCF Equipment Finance	\$ 142,739		142,739	\$ -
Capital Lease Payable - SMJ Properties, LLC	\$ 80,784		40,870	39,914
Total	\$ 223,524	\$ -	\$ 183,609	\$ 39,914

The Academy entered into a lease agreement as lessee for financing the purchase of leasehold improvements. The lease agreement qualifies as a capital lease for accounting purposes and therefore has been recorded at the present value of the future minimum lease payments as of the inception date. Total value of the capitalized leasehold improvements was \$265,300. The future minimum lease obligations and the net present value are as follows:

2013	\$41,250
Less amount representing interest	<u>1,336</u>
Present value of minimum lease payments	<u>\$39,914</u>

The Academy entered into a loan agreement with TCF Finance on February 9, 2011 in the amount of \$155,000 to purchase buses for the Academy's student transportation program. The annual interest rate is 6 percent. Student Delivery Specialists assumed the debt on August 5, 2011 as part of an agreement to acquire transportation operations.

13. PROPERTY TAXES

The Academy applied for an exemption from general property taxes and was denied. This was later appealed, and an exemption was granted retroactive to July 1, 2011, but did not apply to delinquent taxes assessed before that date. This delinquency is being paid to the landlord in monthly installments, and is scheduled to be paid in full by November 2012. Payment activity during fiscal year 2012 was as follows:

	Balance 06/30/2011	Additions	Reductions	Balance 06/30/2012
SMJ Properties LLC	61,692		43,547	18,145

**WILDWOOD ENVIRONMENTAL ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

14. RELATED PARTY TRANSACTIONS/MANAGEMENT AGREEMENT

The Academy entered into a five-year contract, effective March 14, 2007 through June 30, 2012, and amended on August 7, 2007 to extend an additional two years through June 30, 2014, with The Leona Group, LLC for educational management services for all of the management, operation, administration, and education at the Academy. In exchange for its services, The Leona Group, LLC receives a capitation fee of 12% of the per pupil expenditures and a Year-End fee of 50% of the audited financial statement excess of revenues over expenses, if any. On February 24, 2012 the Management Agreement was amended to remove the Year-End Fee provision. On January 1, 2012, The Leona Group waived and forgave a total of \$108,386 of the Accounts Receivable due and applied it against capitation fees. The Academy incurred capitation fees of \$219,493 for the 2012 fiscal year.

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

- A. implementation and administration of the Educational Program;
- B. management of all personnel functions, including professional development;
- C. operation of the school building and the installation of technology integral to school design;
- D. all aspects of the business administration of the Academy;
- E. the provision of food service for the Academy; and
- F. any other function necessary or expedient for the administration of the Academy.

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

<u>Expenses</u>	<u>2012</u>
Salaries	1,192,687
Benefits	429,882
Other Professional and Technical Services	27,845
Communications	853
Advertising	334
Contracted Trades	1,727
Other Materials and Supplies	7,514
Dues and Fees	2,166
Other Direct Costs	261
 Total	 <u><u>1,663,269</u></u>

**WILDWOOD ENVIRONMENTAL ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Continued)**

14. RELATED PARTY TRANSACTIONS/MANAGEMENT AGREEMENT (continued)

At June 30, 2012, the Academy had a balance due to The Leona Group, LLC in the amount of \$240,381. The following is a schedule of payables to The Leona Group, LLC.:

	<u>Amount</u>
Miscellaneous	5,359
Workers Compensation Insurance	23,993
Payroll	174,189
Management Fees	36,840
Total Expenses	<u>\$ 240,381</u>



GILMORE, JASION & MAHLER, LTD

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

Board of Directors
Wildwood Environmental Academy

We have audited the financial statements of Wildwood Environmental Academy as of and for the year ended June 30, 2012, and have issued our report thereon dated December 20, 2012. 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.

Internal Control over Financial Reporting

Management of Wildwood Environmental Academy is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Wildwood Environmental Academy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wildwood Environmental Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Wildwood Environmental Academy's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Gilmore, Jason & Mahler, LTD

December 20, 2012



Dave Yost • Auditor of State

WILDWOOD ENVIRONMENTAL ACADEMY

LUCAS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 12, 2013**