WILDWOOD ENVIRONMENTAL ACADEMY
LUCAS COUNTY

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2014

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

We have reviewed the *Independent Auditor's Report* of the Wildwood Environmental Academy, Lucas County, prepared by Gilmore Jasion & Mahler, LTD, for the audit period July 1, 2013 through June 30, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost
Auditor of State

March 15, 2015

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WILDWOOD ENVIRONMENTAL ACADEMY

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GILMORE JASION MAHLER, LTD
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Wildwood Environmental Academy

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the Wildwood Environmental Academy Lucas County (the Academy), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic statement of net position, statement of revenues, expenses, and changes in net position, and the statement of cash flows.

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 Standard,* 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 Academy'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 Academy'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 opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Academy, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2014 on our consideration of the Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Academy's internal control over financial reporting and compliance.

Gilmore Jasion Mahler, LTD

Maumee, Ohio
December 9, 2014

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, 2014. 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 position was $(360,872) in 2014.
- Total assets were $230,331 in 2014.
- Liabilities were $591,203 in 2014.

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 position; a statement of revenues, expenses, and changes in net position; and a statement of cash flows.

Statement of Net Position

The statement of net position answers the question, "How did we do financially during 2014?" 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.

Table I provides a summary of the Academy's net position for fiscal years 2014 and 2013:

TABLE I	Governmental Activities	
	June 30	
	2014	2013
Assets		
Current Assets	$ 96,094	$ 109,181
Non-Current Assets	7,042	7,042
Capital Assets - Net	127,195	170,641
Total assets	230,331	286,864
Liabilities		
Current Liabilities	581,582	647,158
Non-current Liabilities	9,621	13,211
Total liabilities	591,203	660,369
Net Position		
Invested in capital assets–net of related debt	113,984	154,124
Unrestricted	(474,856)	(527,629)
Total net position	$ (360,872)	$ (373,505)

Total net position for the Academy increased $12,633. Current liabilities decreased $65,576 primarily due to earlier collection of payroll during the fiscal year. Net Capital Assets decreased $43,446 mostly due to the combination of depreciation and relatively few purchases during the fiscal year. Non-current liabilities decreased $3,590 due to payments on the capital lease.

Table 2 shows the changes in net position for fiscal years 2014 and 2013, as well as a listing of revenues and expenses.

TABLE 2	Governmental Activities	
	June 30	
	2014	2013
Operating Revenues		
Foundation Payments	$ 2,500,484	$ 2,307,241
Food Services	17,056	13,392
Transportation Revenues		
Other Revenues	68,336	30,074
Nonoperating Revenues		
Federal Grants	326,231	388,971
State Grants	174,655	14,729
Contributions and Donations		1,736
Total revenue	3,086,762	2,756,143
Operating Expenses		
Salaries	1,287,066	1,226,080
Benefits	443,436	415,048
Purchased Services	1,147,616	1,007,489
Materials and Supplies	78,633	79,765
Depreciation (unallocated)	55,789	50,351
Other expenses	54,514	61,615
Nonoperating Expenses		
Interest	4,272	6,443
Taxes	885	
Other	1,918	
Total expenses	3,074,129	2,846,791
Increase (Decrease) in Net Position	$ 12,633	$ (90,648)

Net position increased $12,633. Taxes are for special assessments that are not included in the recent exemption ruling. State Grants increased due to the reclassification of Poverty Based Grants in Aid, formerly part of Foundation Payments. The net increase of Foundation Payments and State Grants of $353,169 is due to increased student counts. Depreciation increased due to the first full year of depreciation taken on capital assets related to a new leasehold in FY2013.

Capital Assets

At the end of fiscal year 2014, the Academy had $127,195 invested in furniture, fixtures, and equipment (net of depreciation). Table 3 shows capital assets (net of depreciation) for the fiscal years 2014 and 2013.

TABLE 3

	2014	2013
Furniture, fixtures and equipment	$ 104,081	$ 132,806
Leasehold Improvements	23,114	37,835
Total Capital Assets	$ 127,195	$ 170,641

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 2013-2014 school year there were 342 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Foundation payments for fiscal year 2014 amounted to $2,500,484.

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, 2125 University Park Drive, Okemos, MI 48864 or e-mail at don.ash@leonagroup.com.

Wildwood Environmental Academy
LUCAS COUNTY

STATEMENT OF NET POSITION
JUNE 30, 2014

Assets		
Current Assets:		
Cash and cash equivalents	$	10,013
Accounts receivable		29,718
Intergovernmental receivable		37,494
Prepaid items		18,869
Total current assets		96,094
Noncurrent Assets:		
Security Deposit		7,042
Capital assets:		
Land		
Depreciable capital assets, net		127,195
Total noncurrent assets		134,237
Total Assets		230,331
Liabilities		
Current Liabilities:		
Accounts payable		21,408
Accrued wages payable		141,475
STRS-SERS payable		13,808
Intergovernmental Payable		1,613
Contracts payable		399,658
Capital lease payable - current		3,590
Accrued interest payable		30
Total current liabilities		581,582
Noncurrent Liabilities:		
Capital lease payable - noncurrent		9,621
Total noncurrent liabilities		9,621
Total liabilities		591,203
Net Position		
Invested in capital assets net of related debt		113,984
Unrestricted		(474,856)
Total Net Position	$	(360,872)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Wildwood Environmental Academy
LUCAS COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Operating Revenues	
Foundation payments	$ 2,500,484
Food services	17,056
Other revenues	68,336
Total operating revenues	2,585,876
Operating Expenses	
Salaries	1,287,066
Benefits	443,436
Purchased services (Note 10)	1,147,616
Materials and supplies	78,633
Depreciation	55,789
Other	54,514
Total operating expenses	3,067,054
Operating loss	(481,178)
Nonoperating Revenues and Expenses	
Federal grants	326,231
State grants	174,655
Taxes	(885)
Refund of Prior Year Receipts	(1,918)
Interest and fiscal charges	(4,272)
Total nonoperating revenues and expenses	493,811
Change in net position	12,633
Net position beginning of year	(373,505)
Net position end of year	$ (360,872)

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, 2014

Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operating Activities:	
Cash Received from State of Ohio	$ 2,500,484
Cash Received for Food Services	17,011
Cash Received from Other Operating Revenues	39,576
Cash Payments to Suppliers for Goods and Services	(3,085,959)
Net Cash Used for Operating Activities	(528,888)
Cash Flows from Noncapital Financing Activities:	
Other Non-Operating Revenues	
Federal Grants Received	360,836
State Grants Received	173,359
Proceeds from Notes	200,000
Principal Payments	(200,000)
Interest Payments	(4,279)
Taxes	(885)
Refund of Prior Year Receipts	(1,918)
Net Cash Provided by Noncapital Financing Activities	527,113
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(12,343)
Payments on Capital Lease	(3,306)
Net Cash Used for Capital and Related Financing Activities	(15,649)
Net Decrease in Cash and Cash Equivalents	(17,424)
Cash and Cash Equivalents at Beginning of Year	27,437
Cash and Cash Equivalents at End of Year	$ 10,013

(Continued)

Wildwood Environmental Academy
LUCAS COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2014
(Continued)

Reconciliation of Operating Loss to Net Cash Used by Operating Activities:	
Operating Loss	$ (481,178)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation	55,789
Changes in Assets and Liabilities:	
(Increase)/Decrease in Accounts Receivable	(28,406)
(Increase)/Decrease in Intergovernmental Receivable	2,318
(Increase)/Decrease in Prepaid Items	(11,123)
Increase/(Decrease) in Accounts Payable	(18,870)
Increase/(Decrease) in STRS-SERS Payable	905
Increase/(Decrease) in Accrued Wages Payable	28,773
Increase/(Decrease) in Intergovernmental Payable	(1,389)
Increase/(Decrease) in Contracts Payable	(75,707)
Total Adjustments	(47,710)
Net Cash Used for Operating Activities	$ (528,888)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

1. DESCRIPTION OF THE ACADEMY AND REPORTING ENTITY

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

On April 2, 2003, the Academy was approved for operation under contract with the Ohio Council of Community Schools (the "Sponsor") for a period of four years through June 30, 2007, with a seven-year extension through June 30, 2014, and a current five-year extension through June 30, 2019. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The total sponsor fees paid to the Ohio Council of Community Schools for the fiscal year ended June 30, 2014 totaled $78,740.

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 32 certified full-time teaching personnel and 16 non-certificated personnel who provide services to 342 students.

The governing board has entered into a management contract with The Leona Group, LLC (TLG), a for-profit limited liability corporation, for management services and operation of the Academy. TLG operates the Academy's instructional/support facility, is the employer of record for all personnel, and supervises and implements the curriculum. In exchange for its services, TLG receives a capitation fee (see Note 13).

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation

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

B. Measurement Focus and Basis of Accounting

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

C. Basis of Accounting

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

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

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

Expenses are recognized at the time they are incurred.

D. Budgetary Process

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

E. Cash and Cash Equivalents

Cash received by the Academy is reflected as "Cash and Cash Equivalents" on the Statement of Net Position. The Academy had no investments during the fiscal year ended June 30, 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Receivables

Accounts receivable and intergovernmental receivables at June 30, 2014 are considered collectible in full and will be received within one year.

G. Prepaid Items

Payments made to vendors for services of $1,000 and over that will benefit periods beyond June 30, 2014 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 Non-EDP Equipment	6 - 7 years
EDP Equipment and Software	3 years
Leasehold Improvements	3 - 5 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% 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2014, the Academy's deposit balance of $10,013 had no bank deposits (checking and savings accounts) that were uninsured and collateralized.

4. RECEIVABLES

Receivables at June 30, 2014, consisted of intergovernmental grants and eRate reimbursements. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of receivables follows:

Receivables	2014
Title I	$25,359
Title IIa	200
Medicaid	2,793
Casino Tax	8,538
Retirement costs due from other academies	604
Lunch money	44
eRate reimbursement	29,674
Total	$67,212

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014:

	Balance 6/30/13	Additions	Deletions	Balance 6/30/14
Business-Type Activity				
Capital Assets Being Depreciated				
Furniture, Fixtures, and Equipment	$ 404,093	$ 10,648		$ 414,741
Leasehold Improvements	351,529	1,695		353,224
Total Capital Assets Being Depreciated	755,622	12,343	-	767,965
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	(271,287)	(39,373)		(310,660)
Leasehold Improvements	(313,694)	(16,416)		(330,110)
Total Accumulated Depreciation	(584,981)	(55,789)	-	(640,770)
Total Capital Assets Being Depreciated, Net	$ 170,641	$ (43,446)	$ -	$ 127,195

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 2014, the Academy contracted with Indiana Insurance for general liability, property insurance and educational errors and omissions insurance. Coverage is as follows:

Educator's Legal Liability:	Part 1, D&O Liability	1,000,000
	Part 2, Employment Practices	1,000,000
	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	600,000
	Buildings per Lease Agreement	2,600,000
	BI	200,000
	Umbrella	8,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years.

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, 2014, the allocation to pension

7. DEFINED BENEFIT PENSION PLANS (continued)

A. School Employees Retirement System (continued)

and death benefits is 13.10%. The remaining .90% 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, 2014, 2013, and 2012 were $31,379, $28,142, and $22,782 respectively; 100% has been contributed for all years.

B. State Teachers Retirement System of Ohio

State Teachers Retirement System of Ohio (STRS Ohio) is a cost-sharing, multiple-employer public employee retirement system.

STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof.

New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members may transfer to a different STRS Ohio retirement plan during their fifth year of membership. Eligible members who do not make a choice during the reselection period will permanently remain in their current plan.

DB Plan Benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

7. DEFINED BENEFIT PENSION PLANS (continued)

B. State Teachers Retirement System of Ohio (continued)

DC Plan Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or another Ohio public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB Plan participants.

The DB and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A DB 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 members who die before retirement may qualify for survivor benefits. A death benefit of $1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to $2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

7. DEFINED BENEFIT PENSION PLANS (continued)

B. State Teachers Retirement System of Ohio (continued)

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 14% for members and 14% for employers.

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2014, were 11% of covered payroll for members and 14% for employers. The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2014, 2013, and 2012 were $129,960, $133,096, and $133,507 respectively; 100% has been contributed for all years. Member and employer contributions actually made for DC and Combined Plan participants will be provided upon written request.

Additional information or copies of STRS Ohio's 2014 Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

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 2014 was $104.90 for most participants, but could be as high as $335.70 per month depending on their income. SERS' reimbursement to retirees was $45.50 if they participated in one of SERS' health care plans.

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 2014, the actuarially required allocation is .76%. The Academy's contributions for the years ended June 30, 2014, 2013, and 2012 were $1,820, $1,590, and $1,345 respectively; 100% has been contributed for all years.

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.

8. POSTEMPLOYMENT BENEFITS (continued)

A. School Employees Retirement System (continued)

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, 2014, the health care allocation is .14%. 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 2014, the minimum compensation level was established at $20,250. 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, 2014, 2013, and 2012 were $4,425, $3,198, and $5,586 respectively; 100% has been contributed for all years.

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

STRS Ohio administers a pension plan that is comprised of: a Defined Benefit Plan, a self-directed Defined Contribution Plan, and a Combined Plan that is a hybrid of the Defined Benefit Plan and the Defined Contribution Plan.

Ohio law authorizes STRS Ohio to offer a cost-sharing, multiple-employer health care plan. STRS Ohio provides access to health care coverage to eligible retirees who participated in the Defined Benefit or Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums.

Pursuant to Chapter 3307 of the Revised Code, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium.

8. POSTEMPLOYMENT BENEFITS (continued)

B. State Teachers Retirement System of Ohio (continued)

STRS Ohio issues a stand-alone financial report. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting www.strsoh.org or by requesting a copy by calling toll-free 1-888-227-7877.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. Of the 14% employer contribution rate, 1% of covered payroll was allocated to post-employment health care for the years ended June 30, 2014, 2013, and 2012. The 14% employer contribution rate is the maximum rate established under Ohio law.

The Academy's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were $9,997, $10,238, and $10,270 respectively. 100% has been contributed for all years.

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, 2014.

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 results of the review of fiscal year 2014 are not available as of this writing.

10. PURCHASED SERVICE EXPENSES

For the period ended June 30, 2014, purchased service expenses were payments for services rendered by various vendors, as follows:

	2014
Other Professional and Technical Services	$ 134,133
The Leona Group, LLC	362,211
Legal Services	4,177
Ohio Council of Community Schools	78,740
Cleaning Services	53,511
Repairs and Maintenance	33,020
Building Rental	212,954
Other Rentals	9,406
Pest Control	7,457
Communication	48,422
Advertising	8,963
Utilities	70,237
Contracted Food Service	109,237
Pupil Transportation	15,148
Total Purchased Services	$ 1,147,616

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. On April 10, 2014 the lease was amended to extend the term through August 31, 2019 (see note 14). 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.

The following is a schedule of the future minimum payments required under the operating leases as of June 30, 2014:

Fiscal Year Ending June 30,	Facility Lease
2015	$ 220,702
2016	222,252
2017	222,252
2018	102,252
2019	102,252
2020	8,521
Total minimum lease payments	$ 878,231

12. NOTES PAYABLE

Debt Activity During 2014 was as follows:

	Balance at 06/30/13	Additions	Reductions	Balance at 06/30/14
RBS Citizens NA	$ -	$ 200,000	$ 200,000	$ -
Toshiba Telecom Finance	16,517		3,306	13,211
Total	$ 16,517	$ 200,000	$ 203,306	$ 13,211

The Academy entered into a loan agreement with RBS Citizens, NA on August 29, 2013 with a maturity date of June 30, 2014. This agreement provided the Academy with $200,000 for operations of the Academy. The annual rate of interest was a floating rate equal to the Prime Rate, as determined by the Registered Owner. Total interest paid on this loan in FY2014 was $3,039.

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

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

Year	Minimum Lease Obligation	Amount Representing Interest	Present Value of Minimum Lease Payment
2015	$ 4,547	$ 957	$ 3,590
2016	4,547	649	3,898
2017	4,547	315	4,232
2018	1,516	25	1,491
Total	$ 15,157	$ 1,946	$ 13,211

13. 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 and automatic one-year extension, with The Leona Group, LLC for educational management services for all of the management, operation, administration, and education at the Academy. In exchange for its services, The Leona Group, LLC receives a capitation fee of 12% of the per pupil expenditures and a Year-End fee of 50% of the audited financial statement excess of revenues over expenses, if any. On February 24, 2012 the Management Agreement was amended to remove the Year-End Fee provision. The Academy incurred capitation fees of $362,211 for the 2014 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.

13. RELATED PARTY TRANSACTIONS/MANAGEMENT AGREEMENT (continued)

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:

Expenses	2014
Salaries	$1,287,066
Benefits	443,436
Advertising	334
Communications	7
Contracted Trades	2,106
Dues and Fees	1,080
Materials and Supplies	5,799
Other Professional and Technical Services	37,097
Total	$1,776,925

At June 30, 2014, the Academy had a balance due to The Leona Group, LLC in the amount of $399,658. The following is a schedule of payables to The Leona Group, LLC:

	Amount
Miscellaneous	$ 2,816
Workers Compensation Insurance	8,576
Payroll	(253)
Management Fees	388,519
Total Expenses	$ 399,658

14. SUBSEQUENT EVENT

The Academy entered into a loan agreement with RBS Citizens, NA on September 26, 2014 with a maturity date of June 30, 2015. This agreement provides the Academy with $200,000 for operations of the Academy. The annual rate of interest is a floating rate equal to the Prime Rate, as determined by the Registered Owner.

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

Board of Directors
Wildwood Environmental Academy

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Wildwood Environmental Academy Lucas County (the Academy) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements, and have issued our report thereon dated December 9, 2014.

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.

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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*.

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 Academy'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.

Gilmore Jasion Mahler, LTD

Maumee, Ohio
December 9, 2014

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 26, 2015