

**WILDWOOD ENVIRONMENTAL ACADEMY
LUCAS COUNTY**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2011



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, 2010 through June 30, 2011. 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

May 30, 2012

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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, 2011, 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, 2011, 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 January 30, 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.

The management's discussion and analysis on pages 4 through 7 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Academy's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Gilmore, Jasion & Mahler, LTD

January 30, 2012

**WILDWOOD ENVIRONMENTAL ACADEMY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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, 2011. 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 \$(394,427) in 2011.
- Total assets were \$324,451 in 2011.
- Liabilities were \$718,878 in 2011.

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 2011?" 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
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Table I provides a summary of the Academy's net assets for fiscal years 2011 and 2010:

TABLE I	Governmental Activities	
	June 30	
	2011	2010
Assets		
Current Assets	\$ 114,710	\$ 77,586
Non-Current Assets	7,042	0
Capital Assets – Net	202,699	87,838
Total assets	324,451	165,424
Liabilities		
Current Liabilities	553,732	268,994
Non-current Liabilities	165,146	84,087
Total liabilities	718,878	353,081
Net Assets (Deficit)		
Invested in capital assets—net of related debt	59,960	(31,201)
Unrestricted	(454,387)	(156,456)
Total net assets (deficit)	\$ (394,427)	\$ (187,657)

Total net assets for the Academy decreased \$206,770 mostly due to increases in the liability to the management company and accrued wages. Capital assets, net of depreciation, increased \$114,861, mostly due to the purchase of new buses.

**WILDWOOD ENVIRONMENTAL ACADEMY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Table 2 shows the changes in net assets (deficit) for fiscal years 2011 and 2010, as well as a listing of revenues and expenses.

TABLE 2

	Governmental Activities	
	June 30	
	2011	2010
Operating Revenues		
Foundation Payments	\$ 2,275,204	\$ 1,253,919
Food Services	15,778	9,532
Transportation Revenues	256,049	0
Other Revenues	1,037	5,329
Nonoperating Revenues		
Federal Grants	545,864	209,665
State Grants	5,640	13,320
Contributions and Donations	4,926	44,970
Total revenue	3,104,498	1,536,735
Operating Expenses		
Purchased Services	2,818,919	1,422,549
Materials and Supplies	198,671	41,541
Depreciation	55,748	42,213
Other expenses	90,951	2,398
Nonoperating Expenses		
Interest	16,089	13,037
Taxes	117,958	366
Other	12,932	0
Total expenses	3,311,268	1,522,104
Increase (Decrease) in Net Assets (Deficit)	\$ (206,770)	\$ 14,631

Net assets decreased \$206,770. Foundation payments increased \$1,021,284 due to increased student count. Transportation revenues of \$256,049 are due to student transportation revenues collected from other districts. Taxes increased by \$117,592 due to a delinquency arising as a result of the denied exempt status for real estate taxes, and operating expenses increased \$1,662,077 due to increased costs associated with higher student count and higher transportation costs.

**WILDWOOD ENVIRONMENTAL ACADEMY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Capital Assets

At the end of fiscal year 2011, the Academy had \$202,699 invested in furniture, fixtures, and equipment (net of depreciation). Table 3 shows capital assets (net of depreciation) for the fiscal years 2011 and 2010.

TABLE 3

	2011	2010
Furniture, fixtures and equipment	\$ 40,544	\$ 78,590
Leasehold Improvements	15,117	9,248
Vehicles	147,038	0
Total Capital Assets	\$ 202,699	\$ 87,838

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 2010-2011 school year there were 283 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Foundation payments for fiscal year 2011 amounted to \$2,275,203.

The state foundation revenue is determined based on the student count and the foundation allowance per pupil. Approximately 89 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.

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, 2011

Assets

Current Assets:

Cash and Cash Equivalents	\$ 10,122
Accounts Receivable	16,079
Intergovernmental Receivables	69,407
Prepaid Items	19,102
<i>Total Current Assets</i>	<u>114,710</u>

Non-Current Assets:

Security Deposit	7,042
Capital Assets:	
Depreciable Capital Assets, Net	202,699
<i>Total Non-Current Assets</i>	<u>209,741</u>

<i>Total Assets</i>	<u>324,451</u>
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Liabilities

Current Liabilities:

Accounts Payable	53,226
Accrued Wages Payable	159,438
STRS-SERS Payable	25,429
Intergovernmental Payable	35,928
Notes Payable	76,522
Contracts Payable	149,546
Accrued Real Estate Tax Liability	43,547
Other Current Liabilities	10,096
<i>Total Current Liabilities</i>	<u>553,732</u>

Non-Current Liabilities:

Due In More Than One Year	165,146
<i>Total Non-Current Liabilities</i>	<u>165,146</u>

<i>Total Liabilities</i>	<u>718,878</u>
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Net Assets

Invested in Capital Assets, Net of Related Debt	59,960
Unrestricted	<u>(454,387)</u>
<i>Total Net Assets</i>	<u>\$ (394,427)</u>

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, 2011

Operating Revenues	
Foundation Payments	\$ 2,275,204
Food Services	15,778
Transportation Revenues	256,049
Other Revenues	<u>1,037</u>
<i>Total Operating Revenues</i>	<u>2,548,068</u>
Operating Expenses	
Salaries	1,251,880
Fringe Benefits	447,786
Purchased Services	1,119,253
Materials and Supplies	198,671
Depreciation	55,748
Other	<u>90,951</u>
<i>Total Operating Expenses</i>	<u>3,164,289</u>
<i>Operating Loss</i>	<u>(616,221)</u>
Non-Operating Revenues and Expenses	
Federal Grants	545,864
State Grants	5,640
Contributions and Donations	4,926
Loss on Disposal of Assets	(12,932)
Real Estate Taxes	(117,958)
Interest and Fiscal Charges	<u>(16,089)</u>
<i>Total Non-Operating Revenues and Expenses</i>	<u>409,451</u>
<i>Change in Net Assets</i>	(206,770)
<i>Net Assets Beginning of Year</i>	<u>(187,657)</u>
<i>Net Assets End of Year</i>	<u>\$ (394,427)</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, 2011

Increase (Decrease) in Cash and Cash Equivalents:

<u>Cash Flows from Operating Activities:</u>	
Cash Received from State of Ohio	\$ 2,311,132
Cash Received for Food Services	15,714
Cash Received for Transportation Revenues	249,580
Cash Received from Other Operating Revenues	920
Cash Payments to Suppliers for Goods and Services	<u>(2,931,560)</u>
<i>Net Cash Used for Operating Activities</i>	<u>(354,215)</u>
 <u>Cash Flows from Noncapital Financing Activities:</u>	
Federal Grants Received	474,091
State Grants Received	5,640
Proceeds of Short Term Loans	16,100
Repayment of Short-Term Loans	(12,000)
Proceeds from Notes	582,475
Principal Payments	(460,654)
Interest Payments	(16,776)
Taxes	<u>(36,210)</u>
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>552,666</u>
	168,432
 <u>Cash Flows from Capital and Related Financing Activities:</u>	
Payments for Capital Acquisitions	(214,727)
Proceeds from Sale of Assets	<u>15,525</u>
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(199,202)</u>
 <i>Net Decrease in Cash and Cash Equivalents</i>	 (750)
 <i>Cash and Cash Equivalents at Beginning of Year</i>	 <u>10,873</u>
 <i>Cash and Cash Equivalents at End of Year</i>	 <u>\$ 10,122</u>

(Continued)

**Wildwood Environmental Academy
LUCAS COUNTY**

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)

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

Operating Loss	\$ (616,221)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation	55,748
Changes in Assets and Liabilities:	
(Increase)/Decrease in Accounts Receivable	(16,079)
(Increase)/Decrease in Intergovernmental Receivable	(1,211)
(Increase)/Decrease in Prepaid Items	5,723
(Increase)/Decrease in Deposits	
Increase/(Decrease) in Accounts Payable	21,054
Increase/(Decrease) in STRS-SERS Payable	29,046
Increase/(Decrease) in Accrued Wages Payable	91,279
Increase/(Decrease) in Intergovernmental Payable	35,928
Increase/(Decrease) in Contracts Payable	<u>40,519</u>
<i>Total Adjustments</i>	<u>262,007</u>
<i>Net Cash Used by Operating Activities</i>	<u><u>\$ (354,214)</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, 2011**

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 Schools for the fiscal year ended June 30, 2011 totaled \$69,000.

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 12 certified full-time teaching personnel and 16 non-certificated personnel who provide services to 283 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 and year-end 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 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, 2011
(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, 2011.

F. Receivables

Accounts receivable and intergovernmental receivables at June 30, 2011 are considered collectible in full and will be received within one year.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2011 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.

**WILDWOOD ENVIRONMENTAL ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Net Deficit

Net deficit represents the difference between assets and liabilities. Invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. The Academy has approximately \$142,700 in debt related to capital assets.

J. 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.

K. 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.

L. Expenses

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.

M. Estimates

The preparation of financial statements in conformity with accounting principles general accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**WILDWOOD ENVIRONMENTAL ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

N. 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.

4. RECEIVABLES

Receivables at June 30, 2011, consisted primarily of intergovernmental grants. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of receivables follows:

Intergovernmental Receivables

Title I	\$ 35,045
Title I ARRA	7,472
Title IIa	3,387
IDEA	5,790
IDEA ARRA	11,244
Transportation	6,469
Total	<u>\$ 69,407</u>

**WILDWOOD ENVIRONMENTAL ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011:

	Balance 6/30/10	Additions	Deletions	Balance 6/30/11
Business-Type Activity				
Capital Assets Being Depreciated				
Furniture, Fixtures, and Equipment	\$ 273,632	\$ 10,525	\$ 29,032	\$ 255,125
Leasehold Improvements	300,706	19,025	-	319,731
Vehicles	13,550	191,101	49,651	155,000
Total Capital Assets				
Being Depreciated	587,888	220,651	78,683	729,856
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment	(205,226)	(34,630)	(25,275)	(214,581)
Leasehold Improvements	(291,458)	(13,156)	-	(304,614)
Vehicles	(3,366)	(7,962)	(3,366)	(7,962)
Total Accumulated Depreciation	(500,050)	(55,748)	(28,641)	(527,157)
Total Capital Assets				
Being Depreciated, Net	\$ 87,838	\$ 164,903	\$ 50,042	\$ 202,699

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 2011, 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	\$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:	
BI	100,000
Umbrella	8,000,000

B. Workers' Compensation

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

**WILDWOOD ENVIRONMENTAL ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2011, 11.81 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$39,609, \$13,803 and \$18,633 respectively; 100 percent has been contributed for all years.

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 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.

**WILDWOOD ENVIRONMENTAL ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (continued)

B. State Teachers Retirement System of Ohio (continued)

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, 2011, 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, 2011, 2010 and 2009 were \$120,977, \$77,873 and \$69,342 respectively; 100 percent has been contributed for all years.

8. POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

The Academy participates in two cost-sharing multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part b Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, OH 43215-3746.

State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 401h. For 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011 the surcharge was \$2,202.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The Academy's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$4,796, \$671 and \$6,317 respectively. 100 percent has been contributed for all years.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of the covered payroll. The Academy's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010 and 2009 were \$2,549, \$1,108 and \$1,139 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, 2011
(Continued)**

8. POSTEMPLOYMENT BENEFITS (continued)

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, 2011, 2010 and 2009 were \$9,305, \$5,990 and \$5,334 respectively. 100 percent 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, 2011.

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 2011 resulted in a reduction in foundation funding of \$35,928.

**WILDWOOD ENVIRONMENTAL ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

10. PURCHASED SERVICE EXPENSES

For the period ended June 30, 2011, purchased service expenses were payments for services rendered by various vendors, as follows:

Other Professional and Technical Services	\$ 189,294
The Leona Group, LLC	341,223
Legal Services	240
Ohio Council of Community Schools	69,334
Cleaning Services	39,362
Repairs and Maintenance	92,274
Building Rental	201,476
Other Rentals	8,448
Pest Control	5,016
Travel Expense	4,995
Communication	9,007
Advertising	14,938
Utilities	57,822
Contracted Food Service	76,425
Pupil Transportation	9,400
Total Purchased Services	<u>\$ 1,119,253</u>

**WILDWOOD ENVIRONMENTAL ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(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 June 25, 2010, the Academy entered into a lease for the period from July 1, 2010 through June 30, 2011 with Hess Family Ltd, with an annual rent of \$108,522, for a second campus to include grades 6 through 12. On June 23, 2011, the Academy extended the lease agreement for the period from July 1, 2011 through June 30, 2012 with annual rent of \$110,475.

The following is a schedule of the future minimum payments required under the operating lease as of June 30, 2011:

Fiscal Year Ending June 30,	<u>Facility Lease</u>
2012	203,429
2013	92,954
2014	92,954
2015	<u>15,493</u>
Total minimum lease payments	<u>\$ 404,830</u>

**WILDWOOD ENVIRONMENTAL ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

12. LONG TERM OBLIGATIONS (continued)

During the year ended June 30, 2011, the following changes occurred in the long-term obligations reported in the financial statements:

	Balance at 06/30/10	Additions	Reductions	Balance at 06/30/11	Amounts Due in One Year
Capital Lease Payable -					
SMJ Properties, LLC	\$ 119,039		\$ 38,255	\$ 80,784	\$ 40,646
Transportation Loan -					
The Leona Group	\$ -	27,475	\$ 27,475	\$ -	\$ -
RBS Citizens, NA	\$ -	400,000	400,000	\$ -	\$ -
TCF Equipment Finance		155,000	12,261	\$ 142,739	\$ 35,876
Property Taxes	\$ -	96,771	35,079	\$ 61,692	\$ 43,547
Total	<u>\$ 119,039</u>	<u>\$ 679,246</u>	<u>\$ 513,070</u>	<u>\$ 285,215</u>	<u>\$ 120,069</u>

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, which was fully depreciated at year end. The future minimum lease obligations and the net present value are as follows:

2012	\$ 45,000
2013	45,000
Total minimum lease payments	<u>90,000</u>
Less amount representing interest	9,216
Present value of minimum lease payments	<u><u>\$ 80,784</u></u>

The Academy entered into a loan agreement with RBS Citizens, NA on August 25, 2010 with a maturity date of June 30, 2011. This agreement provided the Academy with \$400,000 for operations of the Academy. The annual rate of interest shall be a floating rate equal to the Prime Rate, as determined by the Registered Owner.

The Academy entered into a loan agreement with The Leona Group on June 7, 2010 to provide the Academy with acquisition capital up to \$30,000 for the purchase of buses for the Academy's student transportation program. The annual rate of interest is 6 percent. Student Delivery Specialists acquired the debt on May 10, 2011, as part of an agreement to acquire transportation operations.

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 acquired the debt on August 5, 2011 as part of an agreement to acquire transportation operations.

**WILDWOOD ENVIRONMENTAL ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

12. LONG TERM OBLIGATIONS (continued)

Fiscal Year Ending June 30,	Principal	Interest	Total
2012	\$ 35,876	\$ 7,589	43,465
2013	\$ 38,089	\$ 5,376	43,465
2014	\$ 40,439	\$ 3,026	43,465
2015	\$ 28,335	\$ 641	28,976
Total	<u>\$ 142,739</u>	<u>\$ 16,632</u>	<u>\$ 159,371</u>

13. PROPERTY TAXES

The Academy applied for an exemption from general property taxes and was denied. This resulted in a current tax liability of \$10,245 and delinquency totaling \$96,771. This will be paid to the landlord in monthly installments under a payment plan with Lucas County through November 2012, at which time the monthly payment will be adjusted for the then-current tax liability. As of June 30, 2011, the current portion of the delinquency is \$43,547 and the long term portion is \$18,145.

14. RELATED PARTY TRANSACTIONS/MANAGEMENT AGREEMENT

The Academy entered into a five-year contract, effective March 14, 2007 through June 30, 2012, 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. The Academy incurred capitation fees of \$350,736 for the 2011 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.

**WILDWOOD ENVIRONMENTAL ACADEMY
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

14. 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 for the year ended June 30, 2011 were:

Expenses	
Salaries and Wages	\$1,251,880
Employee Benefits	447,786
Advertising	921
Professional and Technical Service	30,667
Dues and Fees	3,324
Communications	3,797
Contracted Craft or Trade Services	1,652
Other Supplies	12,561
Other Direct Costs	96
 Total Expenses	 <u>\$ 1,752,684</u>

At June 30, 2011, the Academy had a balance due to The Leona Group, LLC in the amount of \$149,546. This consists mostly of outstanding payroll. The following is a schedule of payables to The Leona Group, LLC.:

	<u>Amount</u>
Miscellaneous	8,159
Payroll	131,295
Management Fees	<u>10,092</u>
Total Expenses	<u>\$ 149,546</u>

15. SUBSEQUENT EVENT

The Academy sold two school buses to Student Delivery Systems, LLC, on August 5, 2011. Terms of the sale included the assumption of the liability to TCF Equipment Finance for the balance due on the loan for the buses in the amount of \$142,739.

16. MANAGEMENT PLANS

The Academy's student enrollment for the 2010-2011 school year was somewhat below the Academy's initial forecast and below the level necessary for the Academy to function financially without financial assistance from the management company. The transportation program operated at a loss and there also was a large judgment for delinquent taxes assessed against the Academy.

The Academy's 2011-2012 enrollment is very near where it should be for the Academy to function financially on its own. In 2011-2012 there is no transportation program and the tax situation was a one-time occurrence. Management believes the Academy will have sufficient cash flow to meet its obligations during the next year.

Supplementary Information

**WILDWOOD ENVIRONMENTAL ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Federal Grantor/Pass Through Grantor/ Program Title	CFDA Number	Approved Awards Amount	Accrued (Deferred) Revenue at July 1, 2010	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2011
Clusters						
Child Nutrition Cluster						
U.S. Department of Agriculture						
Passed through the Ohio Department of Education						
National School Breakfast Program	10.553	\$ 8,873	\$ 0	8,873	8,873	\$ 0
National School Lunch Program	10.555	48,464	0	48,464	48,464	0
Total Child Nutrition Cluster		<u>57,337</u>	<u>0</u>	<u>57,337</u>	<u>57,337</u>	<u>0</u>
Special Education Cluster						
U.S. Department of Education						
Passed through the Ohio Department of Education						
Special Education – Grants to States IDEA Part B	84.027	42,245	9,368	45,823	42,245	5,790
ARRA – IDEA Part B, Recovery Act (2010-2011)	84.391	49,819	0	38,575	49,819	11,244
Total Special Education Cluster		<u>92,064</u>	<u>9,368</u>	<u>84,398</u>	<u>92,064</u>	<u>17,034</u>
Title 1, Part A Cluster						
U.S. Department of Education						
Passed through the Ohio Department of Education						
Title 1, Part A (2010-2011)	84.010	187,071	65,218	152,026	121,853	35,045
Title 1, Part A (2009-2010)	84.010	47,687	15,611	18,219	2,608	0
ARRA - Title I Grants to Education Agencies	84.389	66,523	0	58,894	66,366	7,472
Total Title 1, Part A Cluster		<u>301,281</u>	<u>80,829</u>	<u>229,139</u>	<u>190,827</u>	<u>42,517</u>
Education Technology State Grants Cluster						
U.S. Department of Education						
Passed through the Ohio Department of Education						
Total Technology Cluster		<u>1,264</u>	<u>0</u>	<u>28</u>	<u>28</u>	<u>0</u>
		<u>1,264</u>	<u>0</u>	<u>28</u>	<u>28</u>	<u>0</u>

The accompanying note is an integral part of this schedule.

**WILDWOOD ENVIRONMENTAL ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
(Continued)**

Federal Grantor/Pass Through Grantor/ Program Title	CFDA Number	Approved Awards Amount	Accrued (Deferred) Revenue at July 1, 2010	Federal Funds/ Payments In-kind Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2011
State Fiscal Stabilization Fund Cluster						
U.S. Department of Education						
Passed through the Ohio Department of Education						
ARRA - State Fiscal Stabilization Fund – Education	84.394	196,827	0	196,827	196,827	0
Grants Recovery Act (Education Stabilization Fund)		<u>196,827</u>	<u>0</u>	<u>196,827</u>	<u>196,827</u>	<u>0</u>
Total Stabilization Cluster		648,773	90,197	567,729	537,083	59,551
Other Federal Awards						
U.S. Department of Education						
Passed through the Ohio Department of Education						
Race To The Top	84.395	13,526	0	13,526	13,526	0
Improving Teacher Quality	84.367	9,312	427	6,352	9,312	3,387
Total Other Federal Awards		<u>22,838</u>	<u>427</u>	<u>6,482</u>	<u>22,838</u>	<u>3,387</u>
Total Federal Awards		<u>\$ 671,611</u>	<u>\$ 90,624</u>	<u>\$ 587,607</u>	<u>\$ 559,921</u>	<u>\$ 62,938</u>

The accompanying note is an integral part of this schedule.

**WILDWOOD ENVIRONMENTAL ACADEMY
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards, which includes all federal grant activity of Wildwood Environmental Academy, is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used, in the preparation of the financial statements.



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**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, 2011, and have issued our report thereon dated January 30, 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

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, Jasion & Mahler, LTD

January 30, 2012



GILMORE, JASION & MAHLER, LTD

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Wildwood Environmental Academy

Compliance

We have audited the compliance of Wildwood Environmental Academy with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Wildwood Environmental Academy's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Wildwood Environmental Academy's management. Our responsibility is to express an opinion on Wildwood Environmental Academy's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wildwood Environmental Academy's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Wildwood Environmental Academy's compliance with those requirements.

In our opinion, Wildwood Environmental Academy complied, in all material respects, with the compliance requirements referred to above that are could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control over Compliance

Management of Wildwood Environmental Academy is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Wildwood Environmental Academy's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Wildwood Environmental Academy's internal control over compliance.

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

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

January 30, 2012

**WILDWOOD ENVIRONMENTAL ACADEMY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	None reported
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	No

Identification of Major Programs

CFDA Number	Name of Federal Program
84.010	Title I, Part A
84.389	ARRA – Title I
84.027	IDEA Part B
84.391	ARRA – IDEA Part B
84.394	State Fiscal Stabilization Fund
Dollar threshold used to distinguish between type A and type B programs	\$300,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None



GILMORE, JASION & MAHLER, LTD

Independent Accountants' Report on Applying Agreed-Upon Procedures

Wildwood Environmental Academy
Lucas County
4660 South Hagadorn Rd., Suite 500
East Lansing, MI 48823

To the Board Members:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Wildwood Environmental Academy has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board.¹ Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on March 25, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and Leona Group and is not intended to be and should not be used by anyone other than these specified parties.

Gilmore, Jasion & Mahler, LTD

January 30, 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
JUNE 12, 2012**