WILDWOOD ENVIRONMENTAL ACADEMY
LUCAS COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2005

Auditor of State
Betty Montgomery

WILDWOOD ENVIRONMENTAL ACADEMY
LUCAS COUNTY

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Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Wildwood Environmental Academy
Lucas County
1546 Dartford Road
Maumee, Ohio 43537

To the Governing Board:

We have audited the accompanying basic financial statements of Wildwood Environmental Academy, Lucas County, Ohio (the Academy), as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. 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 basic financial statements referred to above present fairly, in all material respects, the respective financial position of the Academy, as of June 30, 2005, and the respective 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 May 8, 2006, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

Betty Montgomery

Betty Montgomery
Auditor of State

May 8, 2006

WILDWOOD ENVIRONMENTAL ACADEMY
LUCAS COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
UNAUDITED

The discussion and analysis of Wildwood Environmental Academy's (the Academy) financial performance provides an overall review of the school's financial activities for the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also 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 Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – Management's Discussion and Analysis – for State and Local Government issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

For Fiscal year ended June 30, 2005, total assets were $135,832, total liabilities were $148,113, and total net assets were ($12,281). Since fiscal year 2005 was the first year of operation for Wildwood Environmental Academy there is no comparative information to discuss.

Using this Financial 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, a Statement of Revenue, Expense and Changes in Net Assets, and a Statement of Cash Flows.

Reporting the Academy as a Whole

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

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

The Statement of Net Assets and the Statement of Activities report the activities for the Academy, which encompass all the Academy's services, including instruction, support services, community services, and food services. Unrestricted state aid and state and federal grants finance most of these activities.

Table 1 provides a summary of the Academy's net assets for fiscal year 2005:

(Table 1)
Net Assets

	2005
Assets	
Current Assets	$ 94,840
Security Deposits	7,042
Capital Assets, Net	33,950
Total Assets	135,832
Liabilities	
Current Liabilities	148,113
Net Assets	
Invested in Capital Assets	33,950
Unrestricted	(46,231)
Total Net Assets	$ (12,281)

Statement of Revenues, Expenses and Changes in Net Assets

Table 2 shows the changes in net assets for fiscal year 2005 as well as a listing of revenues and expenses.

(Table 2)
Change in Net Assets

	2005
Operating Revenues:	
Foundation Payments	$ 408,143
Disadvantaged Pupil Impact Aid	55,869
Food Services	8,055
Other	126
Non-Operating Revenues:	
Federal Grants	191,175
State Grants	5,200
Total Revenues	668,568
Operating Expenses	
Salaries	212,739
Fringe Benefits	90,886
Purchased Services	238,750
Materials and Supplies	99,394
Depreciation	4,636
Other Expenses	29,344
Non-Operating Expenses:	
Interest and Fiscal Charges	5,100
Total Expenses	680,849
Decrease in Net Assets	$ (12,281)

Capital Assets

At the end of fiscal year 2005 the Academy had $33,950 invested in furniture, fixtures, equipment, and buildings.

(Table 3)
Capital Assets at June 30, 2005

(Table 3)
Capital Assets at June 30, 2005
(Net of Depreciation)

	2005
Furniture & Equipment	$ 31,774
Buildings	2,176
Totals	$ 33,950

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

NOTES PAYABLE

Debt Activity During 2005 was as follows:

	Balance at 07/01/04	Additions	Reductions	Balance at 06/30/05
Note Payable - Citizens Bank	$ -	$ 300,000	$ 270,000	$ 30,000

For more information on debt activity see Note 12 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 2004-2005 school year, there were approximately 79 students enrolled in the Academy. The Academy receives its finances mostly from state aid. Foundation payments (including Disadvantaged Pupil Impact Aid) for fiscal year 2005 amounted to $464,012.

Contacting the Academy's Financial Management

This financial report is designed to provide 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 Rd. Ste. 500, East Lansing, Michigan 48823 or email at don.ash@leonagroup.com.

WILDWOOD ENVIRONMENTAL ACADEMY
LUCAS COUNTY

STATEMENT OF NET ASSETS
JUNE 30, 2005

Assets	
Current Assets:	
Cash and Cash Equivalents	$ 74,049
Intergovernmental Receivables	15,291
Prepaid Items	5,500
Total Current Assets	94,840
Non-Current Assets:	
Security Deposit	7,042
Capital Assets:	
Depreciable Capital Assets, Net	33,950
Total Non-Current Assets	40,992
Total Assets	135,832
Liabilities	
Current Liabilities:	
Accounts Payable	49,089
Accrued Wages Payable	1,903
Notes Payable	30,000
Contracts Payable	67,121
Total Current Liabilities	148,113
Net Assets	
Invested in Capital Assets, Net of Related Debt	33,950
Unrestricted	(46,231)
Total Net Assets	$ (12,281)

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, 2005

Operating Revenues	
Foundation Payments	$ 408,143
Disadvantaged Pupil Impact Aid	55,869
Food Services	8,055
Other Revenues	126
Total Operating Revenues	472,193
Operating Expenses	
Salaries	212,739
Fringe Benefits	90,886
Purchased Services	238,750
Materials and Supplies	99,394
Depreciation	4,636
Other	29,344
Total Operating Expenses	675,749
Operating Loss	(203,556)
Non-Operating Revenues and Expenses	
Federal Grants	191,175
State Grants	5,200
Interest and Fiscal Charges	(5,100)
Total Non-Operating Revenues and Expenses	191,275
Change in Net Assets	(12,281)
Net Assets Beginning of Year	
Net Assets End of Year	$ (12,281)

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, 2005

Increase (Decrease) in Cash and Cash Equivalents:

Cash Flows from Operating Activities:	
Cash Received from State of Ohio	$ 464,012
Cash Received for Food Services	8,055
Cash Received from Other Operating Revenues	126
Cash Payments to Suppliers for Goods and Services	(263,820)
Cash Payments to Employees for Services	(212,738)
Cash Payments for Employee Benefits	(92,798)
Net Cash Used for Operating Activities	(97,163)
Cash Flows from Noncapital Financing Activities:	
Federal Grants Received	179,699
State Grants Received	5,200
Net Cash Provided by Noncapital Financing Activities	184,899
Cash Flows from Capital and Related Financing Activities:	
Payments for Capital Acquisitions	(38,587)
Proceeds from Notes	300,000
Principal Payments	(270,000)
Interest Payments	(5,100)
Net Cash Used for Capital and Related Financing Activities	(13,687)
Net Increase in Cash and Cash Equivalents	74,049
Cash and Cash Equivalents at Beginning of Year	
Cash and Cash Equivalents at End of Year	$ 74,049

(Continued)

WILDWOOD ENVIRONMENTAL ACADEMY
LUCAS COUNTY

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005
(Continued)

Reconciliation of Operating Loss to Net Cash Used by Operating Activities:		
Operating Loss	$	(203,556)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Depreciation		4,636
Changes in Assets and Liabilities:		
(Increase) in Intergovernmental Receivable		(3,814)
(Increase) in Prepaid Items		(5,500)
(Increase) in Security Deposit		(7,042)
Increase in Accounts Payable		49,089
Increase in Accrued Wages Payable		1,903
Increase in Contracts Payable		67,121
Total Adjustments		106,393
Net Cash Provided by Operating Activities	$	(97,163)

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 all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the Academy.

The Academy was approved for operation under a contract with the Ohio Council of Community Schools (the Sponsor) for a period of five years commencing August 18, 2004. 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 Academy operates under the direction of a five member Governing Board. The Governing Board 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 Governing Board controls the Academy's instructional/support facility staffed by four non-certified personnel and seven certificated teaching personnel who provide services to 79 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 its school. 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 15).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. The 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.

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

All monies received by the Academy are accounted for by the Academy's management company, The Leona Group. All cash received by the Fiscal Officer is maintained in a bank account in the Academy's name or temporarily used to purchase short-term investments. For the purposes of the statement of cash flows and for presentation on the balance sheet, investments with original maturities of three months or less at the time they are purchased by the Academy are considered to be cash equivalents. During the year ended 2005, the Academy had only deposits.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

F. 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 then $10,000 per application will also be 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

G. Intergovernmental Revenues

The Academy currently participates in the State Foundation Program, the State Disadvantaged Pupil Impact Aid (DPIA) Program, and the State Special Education Program. Revenues received from these programs are recognized as operating revenues in the accounting period in which all eligibility requirements have been met.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

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.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expense in the year in which services are consumed.

I. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

J. Net Assets

Net assets represent the difference between assets and liabilities. Invested in Capital Assets, net of related debt 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.

K. Security Deposit

The Academy entered into a lease for the use of the building for the administration and instruction of the Academy. Based on the lease agreement, a security deposit was required to be paid at the signing of the agreement. This amount, totaling $7,042, is held by the lessor. (See Note 11)

3. DEPOSITS AND INVESTMENTS

At fiscal year end June 30, 2005, the carrying amount of the Academy's deposits totaled $74,049 and its bank balance was $83,882. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosure," as of June 30, 2005, none of the bank balance was exposed to custodial risk as discussed below, all of the bank balance was covered by the Federal Depository Insurance Corporation.

Custodial credit risk is the risk that in the event of bank failure, the Academy will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at the Federal Reserve Banks or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Academy.

4. RECEIVABLES

Receivables at June 30, 2005, consisted 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	Amounts
Title I '05	4,766
School Lunch	485
Special Ed Part B	6,226
STRS-SERS Overpayment	3,814
Total Intergovernmental Receivables	$ 15,291

5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005:

	Balance 6/30/04	Additions	Deletions	Balance 6/30/05
Business-Type Activity				
Capital Assets Being Depreciated				
Furniture, Fixtures, and Equipment		36,235		36,235
Buildings		2,351		2,351
Total Capital Assets Being Depreciated		38,586		38,586
Less Accumulated Depreciation:				
Furniture, Fixtures, and Equipment		(4,461)		(4,461)
Buildings		(175)		(175)
Total Accumulated Depreciation		(4,636)		(4,636)
Total Capital Assets Being Depreciated, Net		33,950		33,950

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 2005, the Academy contracted with EMC Insurance Company for general liability, property insurance and educational errors and omissions insurance.

Coverage is as follows:

Educational Errors and Omissions:	$
Per occurrence	2,000,000
Total per year	5,000,000
General Liability:	
Per occurrence	1,000,000
Total per year	2,000,000
Vehicle	1,000,000

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.

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.

For the fiscal year ended June 30, 2005, 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 2005, 10.57 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, up to a statutory maximum amount, by the SERS' Retirement Board. The Academy's required contributions for pension obligations to SERS for the fiscal year ended June 30, 2005, was $3,964; 100 percent has been contributed for fiscal year 2005.

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 Plan (DBP), a Defined Contribution Plan (DCP), and a Combined Plan (CP). The DBP 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 member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DCP 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 Combined Plan offers features of both the DCP and the DBP. In the CP, 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 DBP. DCP and CP members will transfer to the DBP during their fifth year of membership unless they permanently select the DCP or CP. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DBP into the DCP or the CP. This option expired on December 31, 2001.

7. DEFINED BENEFIT PENSION PLANS – (Continued)

A DBP or CP 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 DCP 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.

B. State Teachers Retirement System of Ohio (continued)

For the fiscal year ended June 30, 2005, 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.

The Academy's required contributions for pension obligations to STRS Ohio for the fiscal year ended June 30, 2005, was $22,914; 100 percent has been contributed for fiscal year 2005.

8. POSTEMPLOYMENT BENEFITS

The Academy provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio) and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

STRS retirees who participated in the Defined Benefit Plan or the Combined Plan and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2005, the STRS Ohio Board allocated employer contributions equal to 1.0 percent of covered payroll to the Health Care Reserve Fund. For the Academy, this amount equaled $1,763 for fiscal year 2005.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was $3.3 billion at June 30, 2005. For the year ended June 30, 2005, net health care costs paid by STRS Ohio were $254,780,000 and STRS Ohio had 115,395 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All members must pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. A safety net is in place for retirees whose household income falls below federal poverty levels. Premiums are reduced by 50 percent for those who apply.

8. POSTEMPLOYMENT BENEFITS – (Continued)

For the fiscal year ended June 30, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at $27,400. For the Academy, the amount contributed to fund health care benefits, including the surcharge, during the 2005 fiscal year equaled $3,708.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2005, were $178,221,113. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. As of June 30, 2005, the value of the health care fund was $267.5 million, which is about 168 percent of next year's projected net health care costs of $158,776,151. On the basis of actuarial projections, the allocated contributions will be sufficient, in the long-term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs. SERS has approximately 58,123 participants currently receiving health care benefits.

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, 2005.

B. Litigation

A suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging Ohio's Community (i.e., Charter) School's program violates the state Constitution and state laws. On April 21, 2003, the Court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed, and the case was heard on November 18, 2003. On August 24, 2004, the Court of Appeals rendered a decision that Community Schools are part of the state public educational system and this matter was sent to the Ohio Supreme Court. The Ohio Supreme Court accepted the appeal from the Court of Appeals for a review on February 16, 2005. Oral argument occurred November 29, 2005. The effect of this suit, if any, on the Academy is not presently determinable.

C. State Funding

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. ODE has conducted a review of the Academy's 2005 student enrollment data and FTE calculations. For fiscal year 2005, the results of this review resulted in a decrease of $41.

10. PURCHASED SERVICE EXPENSES

For the period ended June 30, 2005, purchased service expenses were payments for services rendered by various vendors, as follows:

Advertising	$	31,854
Building Maintenance/Renovations		27,855
Building Lease Agreements		70,505
Cleaning Services		11,320
Equipment Rental		5,735
Food Services		16,894
Management Fees		6,992
Ohio Council of Community Schools		13,573
Technology Support		7,561
Pupil Transportation		3,355
Utilities		21,302
Other Purchased Services		21,804
Total Purchased Services	$	238,750

11. OPERATING LEASES

The Academy has entered into a lease for the period September 1, 2004, through August 31, 2009, with SMJ Properties LLC. Payments made totaled $70,505 for the fiscal period. The Academy has the option to renew the lease at an adjusted rate at the end of the contract period.

The Academy entered into a lease for a copier with Albin Business Centers. The copier lease period is October 1, 2004, through September 30, 2007. Payments made totaled $3,858 for the fiscal period.

The following is a schedule of the future minimum payments required under the operating leases as of June 30, 2005.

Fiscal Year Ending June 30,	Facility Lease	Copier Lease
2006	84,504	5,144
2007	84,504	5,144
2008	84,504	1,286
2009	84,504	
2010	14,084	
Total minimum lease payments	$ 352,100	$ 11,574

12. NOTES PAYABLE

Debt Activity During 2005 was as follows:

	Balance at 07/01/04	Additions	Reductions	Balance at 06/30/05
Note Payable - Citizens Bank		$ 300,000	$ 270,000	$ 30,000

The Academy entered into a loan with Citizens Bank for $300,000 on August 27, 2004. The note was used to pay for general operations of the Academy. The note has an interest rate of 3.60 percent and has a maturity date of July 5, 2005. This note is collateralized by the Academy's account balance at the bank.

Amortization of the above debt, including interest, is scheduled as follows:

Year ending June 30:	Citizens Bank
2006	$ 30,090

13. TAX EXEMPT STATUS

The Academy currently does not qualify for tax exempt status under § 501(c)(3) of the Internal Revenue Code. The Academy has filed the required Corporate Tax Form with the Internal Revenue Service. The Academy is waiting for a change in board structure before continuing with the application process.

14. RELATED PARTIES

Three Board members of the Academy are employees of The Leona Group, LLC (TLG). The Academy contracts with TLG for the operation of its school, including program evaluation; human resources; staffing, supervision and performance review; fiscal services and accounting; and compliance. As stated in (Note 10) the Academy paid TLG $6,992.

15. MANAGEMENT AGREEMENT

The Academy entered into a five-year contract, effective May 1, 2004 through June 30, 2007, 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, TLG 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 amount paid to TLG for fiscal period 2005 totaled $6,992. Terms of the contracts require TLG 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;

15. MANAGEMENT AGREEMENT – (Continued)

E. the provision of food service for the Academy; and

F. any other function necessary or expedient for the administration of the Academy.

16. MANAGEMENT COMPANY EXPENSES

For the year ended June 30, 2005, The Leona Group, LLC incurred the following expenses on behalf of the Academy:

Expense	2005
Direct Expenses:	
Salaries and Wages	$212,739
Employee's Benefits	90,886
Professional and Technical Services	15,658
Property Services	4,395
Travel	382
Communications	16,084
Other Supplies	779
Dues and Fees	1,844
Total Expenses	$ 342,767

17. SUBSEQUENT EVENT

The Academy entered into a loan agreement with Citizens banking Corporation on September 8, 2005. This Agreement provided the Academy with $500,000 for operations of the Academy at a stated interest rate of 5.06 percent and a maturity date of September 6, 2006. This note is collateralized by the Academy's account balance at the bank.

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Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Wildwood Environmental Academy
Lucas County
1546 Dartford Road
Maumee, Ohio 43537

To the Governing Board:

We have audited the basic financial statements of Wildwood Environmental Academy, Lucas County, Ohio (the Academy) as of and for the year ended June 30, 2005, and have issued our report thereon dated May 8, 2006. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Academy's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Academy's management dated May 8, 2006, we reported another matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Academy's management dated May 8, 2006, we reported another matter related to noncompliance we deemed immaterial.

One Government Center / Room 1420 / Toledo, OH 43604-2246
Telephone: (419) 245-2811 (800) 443-9276 Fax: (419) 245-2484
www.auditor.state.oh.us

We intend this report solely for the information and use of Management, the Governing Board, and Sponsor. It is not intended for anyone other than these specified parties.

Betty Montgomery

Betty Montgomery
Auditor of State

May 8, 2006

Auditor of State
Betty Montgomery

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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
MAY 30, 2006