



**Auditor of State
Betty Montgomery**

**WORLD OF WONDER ACCELERATED LEARNING COMMUNITY SCHOOL
MONTGOMERY COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

World of Wonder Accelerated Learning Community School
Montgomery County
4411 Oakridge Drive
Dayton, Ohio 45417

To the Governing Board:

We have audited the accompanying financial statements of the World of Wonder Accelerated Learning Community School, Montgomery County, (the School), as of and for the year ended June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of the School'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 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 World of Wonder Accelerated Learning Community School, Montgomery County, as of June 30, 2003, and the results of its operations and cash flows 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 February 25, 2004, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying federal awards expenditures schedule is presented for additional analysis as required by 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 financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

February 25, 2004

**WORLD OF WONDER ACCELERATED LEARNING COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**BALANCE SHEET
AS OF JUNE 30, 2003**

Current Assets	
Equity in Pooled Cash and Cash Equivalents	\$272,521
Investments	200,000
Intergovernmental Receivable	78,044
Accrued Interest Receivable	<u>4,861</u>
Total Current Assets	555,426
Non Current Assets	
Fixed Assets (net of accumulated depreciation)	<u>115,590</u>
Total Assets	<u><u>671,016</u></u>
Liabilities and Fund Equity	
Current Liabilities	
Accounts Payable	70,904
Accrued Wages and Benefits	95,672
Intergovernmental Payable	<u>12,591</u>
Total Current Liabilities	179,167
Non Current Liabilities	
Compensated Absences Payable	<u>99,825</u>
Total Liabilities	<u>278,992</u>
Fund Equity	
Retained Earnings	<u>392,024</u>
Total Liabilities and Fund Equity	<u><u>\$671,016</u></u>

The notes to the financial statements are an integral part of this statement.

**WORLD OF WONDER ACCELERATED LEARNING COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2003**

Operating Revenues	
Foundation Payments	\$1,648,305
Disadvantaged Pupil Impact Aid	343,218
Other	<u>6,624</u>
Total Operating Revenues	<u>1,998,147</u>
Operating Expenses	
Salaries	1,566,835
Fringe Benefits	362,878
Purchased Services	562,378
Materials and Supplies	324,885
Depreciation	32,931
Other	<u>30,999</u>
Total Operating Expenses	<u>2,880,906</u>
Operating Loss	<u>(882,759)</u>
Non-Operating Revenues	
Federal and State Subsidies	553,088
Commodities	11,723
Interest	11,976
Contributions and Donations	<u>103,124</u>
Total Non-Operating Revenues	<u>679,911</u>
Net Loss	(202,848)
Retained Earnings at Beginning of Year (Restated - See Note 15)	<u>594,872</u>
Retained Earnings at End of Year	<u><u>\$392,024</u></u>

The notes to the financial statements are an integral part of this statement.

**WORLD OF WONDER ACCELERATED LEARNING COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2003**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from State of Ohio	\$1,998,193
Other Cash Receipts	8,312
Cash Payments to Employees for Services	(1,896,615)
Cash Payments to Suppliers for Goods and Services	(829,795)
Other Operating Expenses	<u>(20,999)</u>

Net Cash Used for Operating Activities (740,904)

Cash Flows from Noncapital Financing Activities

Federal and State Subsidies	556,507
Contributions and Donations	<u>103,124</u>

Net Cash Provided by Noncapital Financing Activities 659,631

Cash Flows from Capital and Related Financing Activities

Acquisition of Capital Assets	<u>(5,400)</u>
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Cash Flows from Investing Activities

Interest	<u>11,890</u>
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Net Decrease in Cash and Cash Equivalents (74,783)

Cash and Cash Equivalents at Beginning of Year 347,304

Cash and Cash Equivalents at End of Year 272,521

**Reconciliation of Operating Loss to
Net Cash Used for Operating Activities**

Operating Loss (882,759)

**Adjustments to Reconcile Operating Loss to
Net Cash Used for Operating Activities**

Operating Activities

Depreciation	32,931
Commodities Received	11,723

Changes in Assets and Liabilities

Decrease in Accounts Receivable	1,688
Increase in Accounts Payable	52,415
Increase in Accrued Wages Payable	52,857
Increase in Compensated Absences Payable	4,907
Decrease in Intergovernmental Payable	<u>(14,666)</u>

Net Cash Used for Operating Activities (\$740,904)

The notes to the financial statements are an integral part of this statement.

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**WORLD OF WONDER ACCELERATED LEARNING COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003**

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

The World of Wonder Accelerated Learning Community School (the "School") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in grades K through 5. The School, 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 School may sue and be sued, acquire facilities as needed and contract for any services necessary for the operation of the school.

The School is a non-profit organization that has been determined by the Internal Revenue Service to be exempt from federal income taxes as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the school's tax exempt status.

The School was approved for operation under contract with the Dayton City School District (the Sponsor) for a period of originally three years commencing July 1, 1999 with a five year extension approved through June 30, 2007. The Sponsor is responsible for evaluating the performance of the School and has the authority to deny renewal of the contract at its expiration or terminate the contract prior to its expiration. The school leases its building facilities from the sponsor and makes an annual lease payment of \$164,829 (see Note 11). The school has an agreement with the sponsor for the school's food service program. The sponsor administers the program and receives reimbursement directly from the Ohio Department of Education for the Nutrition Cluster Federal Program. These amounts have been recorded as on-behalf of receipts and payments in the accompanying financial statements.

The School operates under the direction of a six-member Governing Board. The 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 Schools' two instructional/support facilities staffed by 6 non-certified and 26 certified full-time equivalent teaching personnel who provide instructional services to 337 students. A Principal and Business Manager/Treasurer handle administrative responsibilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the school 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 School 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 School's accounting policies are described below.

A. Basis of Presentation

Enterprise Accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

**WORLD OF WONDER ACCELERATED LEARNING COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by its measurement focus. Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the balance sheet. Operating statements present increases (e.g. revenues) and decreases (e.g. expenses) in net total assets.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The full accrual basis of accounting is used for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

C. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in the Ohio Revised Code chapter 5705, unless specifically provided by the School's contract with its sponsor.

The contract agreement between the school and its sponsor, Dayton City School District, does not prescribe a budgetary process for the School. However, the Governing Board approves annual appropriations for the school and the contract agreement indicates that the school's Treasurer and Principal will compare budgeted income and expense to actual figures on an on-going basis with comparison reports being reviewed by the Governing Board at least quarterly.

D. Cash and Cash Equivalents

All monies received by the School are maintained in a demand deposit account and three Certificates of Deposit. The Certificates of Deposit are non-participating investment contracts reported at cost. For purposes of the statement of cash flow and for presentation of the balance sheet, investments with an original maturity of three months or less at the time they are purchased by the school are considered to be cash equivalents. Investments with a maturity of more than three months are reported as investments.

E. Estimates

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

F. Fixed Assets and Depreciation

Fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the dates received. The School maintains a capitalization threshold of five hundred dollars. The School 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 capitalized.

**WORLD OF WONDER ACCELERATED LEARNING COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Depreciation of furniture and equipment is computed using the straight-line method over an estimated useful life of five years. Improvements to fixed assets are depreciated over the remaining useful lives of the related fixed assets.

G. Intergovernmental Revenues

The School currently participates in the State Foundation Program, the State Disadvantaged Pupil Impact Aid (DPIA) Program and the State Special Education Program (through the State Foundation 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 school must provide local resources to be used for specific purpose, and expenditure requirements, in which the resources are provided to the school on a reimbursement basis.

Amounts awarded under the above named programs for 2003 School Year totaled \$2,544,611.

H. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School will compensate the employees for the benefits through paid time off or some other means. The School records a liability for accumulated unused vacation time when earned for all employees.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the School's termination policy.

I. Accrued Liabilities

Obligations incurred but unbilled prior to June 30, 2003, are reported as accrued liabilities in the accompanying financial statements.

3. DEPOSITS AND INVESTMENTS

The following information classifies deposits by category of risk as defined in GASB Statement No. 3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements."

Deposits: At fiscal year end the carrying amount of the School's deposits were \$472,521 and the bank balance was \$487,482. Of the bank balance, \$200,000 was covered by federal depository insurance and \$287,482 was covered by pooled collateral.

**WORLD OF WONDER ACCELERATED LEARNING COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

The classification of cash and cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9 entitled "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of cash and investments on the financial statements and the classification of deposit and investments presented above per GASB No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	\$272,521	\$200,000
Certificate of Deposit	<u>\$200,000</u>	<u>(\$200,000)</u>
GASB Statement 3	<u>\$472,521</u>	<u>\$0</u>

The School invested in three certificates of deposit as of June 30, 2003 with original maturities in excess of 90 days, which are classified as investments for GASB Statement No. 9 purposes on the balance sheet. Certificates of Deposit are classified as deposits for GASB Statement No. 3 purposes due to collateralization.

4. RECEIVABLES

Receivables at June 30, 2003, consisted of accrued interest and intergovernmental grants. All receivables are considered collectible in full.

A summary of intergovernmental receivables follows:

Title I	\$29,285
Title II-A	40,778
Title II-D	4,866
Title IV-A	(715)
Title V	1,560
IDEA	<u>2,270</u>
Total	<u>\$78,044</u>

5. FIXED ASSETS

A summary of the School's fixed assets as of June 30, 2003, follows:

Furniture and equipment	\$170,054
Less Accumulated Depreciation	<u>(54,464)</u>
Net Fixed Assets	<u>\$115,590</u>

The school does not take depreciation in the year of acquisition.

**WORLD OF WONDER ACCELERATED LEARNING COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

6. RISK MANAGEMENT

A. Property and Liability

The school 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 2003, the School was covered through the insurance program of Dayton City School District. Buildings and contents are covered under Fireman's Fund Insurance Company with a \$2,500 deductible. Electronic data processing equipment is covered under Fireman's Fund Insurance Company with a \$1,000 deductible. The World of Wonder School carries liability insurance with National Union Fire Insurance Company in the amounts of \$1,000,000 for a single occurrence and \$1,000,000 in aggregate. Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in insurance coverage from last year.

B. Workers' Compensation

The School pays the State Workers' Compensation System a premium for employee injury coverage. The premium is calculated by multiplying annual gross payroll by a factor calculated by the State.

C. Employee Medical, Dental, and Vision Benefits

The School carries their medical insurance through a sub-contract with Dayton City School District. The Board and full-time Professional Staff members contribution to the monthly premium for medical insurance shall be 15% paid by the staff member and 85% paid by the Board up to a cap of the following:

CAPS	Plan I	Plan II
Single:	\$235 per month	\$245 per month
Family	\$596 per month	\$605 per month

For Fiscal Year 2003 the annual cost of Option I Plan was \$10,516 for family coverage and \$4,127 for single coverage. The Option II Plan was \$4,746 for single coverage. There were no family coverages for Option II Plan.

The School sub-contracts with Dayton City School District for dental benefits. The School pays 90% of the premium with the employee being responsible for the remaining 10%. The annual cost is \$1,092 for family and \$437 for single coverage.

7. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. 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 or by calling (614) 222-5853.

**WORLD OF WONDER ACCELERATED LEARNING COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. For Fiscal Year 2002, 5.46 per cent of annual covered salary was 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 School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2003, 2002, 2001 were \$12,535, \$7,912, and \$5,269, respectively; 100 percent has been contributed for all three fiscal years.

B. State Teachers Retirement System

The School contributes to the State Teacher's Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

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 times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% 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 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. 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 DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

**WORLD OF WONDER ACCELERATED LEARNING COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

For the fiscal year ended June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teacher's 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 School's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2003, 2002, and 2001 were \$163,643, \$101,871, and \$73,117, respectively; 100 percent has been contributed for all three fiscal years. Contributions to the DC and Combined Plans for fiscal year 2003 were \$4,153 made by the School and \$6,883 made by the plan members.

8. POST EMPLOYMENT BENEFITS

The School 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 of Ohio (SERS Ohio). 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.

All STRS Ohio benefit recipients and sponsored 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. Most 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, 2003, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School, this amount equaled \$12,588 for Fiscal Year 2003.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS Ohio were \$354,697,000 and STRS Ohio had 105,300 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. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2003 employer contributions to fund health care benefits were 5.83 percent of covered payroll, a decrease of 2.71 per cent from Fiscal Year 2002. 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, prorated for partial service credit. For fiscal year 2003, the minimum pay was established at \$14,500. For the School's amount contributed to fund health care benefits, including the surcharge, during the 2003 fiscal year equaled \$11,536.

**WORLD OF WONDER ACCELERATED LEARNING COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

8. POST EMPLOYMENT BENEFITS (Continued)

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, 2002 (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002 SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

9. EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements of Dayton City School District and State Laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon length of service. Vacation days are credited to classified employees each month and must be used within the next twelve months. Vacation may be carried forward beyond June 30 only with the approval of the principal. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 250 days. Upon retirement, payment is made for one-fourth of the total accumulated and unused, up to a maximum of 180 days for teachers and administrators and 160 for classified employees. In addition, classified employees are subject to the following based on length of service:

Length of Service	Maximum Severance Payouts
Less than five years	0 days
Five years to 15 years	30 days
15 years to 25 years	35 days
Over 25 years	40 days

Professional staff members are eligible to accumulate sick days in a severance account once they have accumulated the maximum 250 days of sick leave. These excess days may not be used as sick leave days or "catastrophic illness" donations. Accumulated severance account days will be paid for one-fourth of the accumulated balance, up to a maximum of 45 days.

B. Health Care Benefits

The District provides life insurance and accidental death and dismemberment insurance to employees through Unum Life Insurance Company. The District provides health insurance coverage through United Health Care of Ohio, Inc. Employee share of the total premium ranges between five percent and twenty percent of the monthly premium up to the cap. The premium varies with each employee depending on the terms of the union contract. Dental insurance is provided to aid eligible employees through a plan administered by United Dental Care and Mutual Health Services, the third party administrators.

**WORLD OF WONDER ACCELERATED LEARNING COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

10. STATE SCHOOL FUNDING DECISION

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient...". The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and financial operations.

11. OPERATING LEASE

The School leases a building and office facility from Dayton City Schools (the Sponsor), under an operating lease running co-terminus with the Community School contract. The term of this lease commenced July 12, 1999 and has been extended through June 30, 2007. The lease payment includes use of the buildings, the cost of utilities, maintenance, custodial and grounds services. The lease payment was \$164,829 for the Fiscal Year ended June 30, 2003.

12. CONTINGENCIES

A. Grants

Amounts received from grantor agencies are subject to audit and adjustment by the Grantor. Any disallowed costs may require refunding to the grantor. Amounts, which may be disallowed, if any, are not presently determinable. However, in the opinion of the school, any such disallowed claims will not have a material adverse effect on the financial position of the school.

B. State Funding

The Ohio Department of Education conducts reviews of enrollment data and Full-Time Equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the state, upon which State foundation funding is calculated. The results of this review could result in state funding being adjusted. For Fiscal Year 2003, the school's funding was adjusted down by \$9,130, as a result of such a review. The adjustment is reflected in the accompanying financial statements.

C. Litigation

A suit was filed in Franklin County common Pleas Court on May 14, 2001 alleging Ohio's Community (i.e., Charter) Schools 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 for oral argument on November 18th, 2003. The effect of this suit, if any, on the World of Wonder Accelerated Learning Community School is not presently determinable.

**WORLD OF WONDER ACCELERATED LEARNING COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2003
(Continued)**

13. PURCHASED SERVICES

For the Fiscal Year ended June 30, 2003 purchased service expenses for services rendered by various vendors were as follows:

Professional Development	\$ 51,428
Property Services	201,209
Student Enrichment	75,044
Communications	16,007
Advertising	1,154
Fiscal Management	50,256
Transportation	10,068
Federal School Breakfast/Lunch Program	<u>157,212</u>
Total	<u>\$ 562,378</u>

14. CONTRIBUTIONS

The School received contributions and donations amounting to \$103,124. These donations were from numerous individuals and foundations. The largest donation was received from Medamerican Health System Inc. in the amount of \$101,680.

15. PRIOR PERIOD ADJUSTMENT

The beginning fixed asset balance of the Enterprise Fund was restated due to a prior period adjustment for equipment included in error. The effect of the restatement is as follows:

	<u>Enterprise</u>
Fixed Assets Net of Accumulated Depreciation as of 6/30/02	\$174,848
Prior Period Adjustment	<u>(31,726)</u>
Fixed Assets Net of Accumulated Depreciation as restated, 6/30/02	<u>\$143,122</u>
Retained Earnings as of 6/30/02	\$626,598
Prior Period Adjustment	<u>(31,726)</u>
Restated Retained Earnings as of 7/1/02	<u>\$594,872</u>

**WORLD OF WONDER ACCELERATED LEARNING COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2003**

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. Department of Agriculture <i>(Passed through Ohio Department of Education)</i>						
Nutrition Cluster:						
Food Donation	10.550	N/A		\$11,723		\$11,723
National School Lunch Program	10.555	04-PU	\$99,454		\$99,454	
School Breakfast Program	10.553	05-PU	46,035		46,035	
Total U.S. Department of Agriculture - Nutrition Cluster			145,489	11,723	145,489	11,723
U.S. Department of Education <i>(Passed through Ohio Department of Education)</i>						
Title 1 Grants to Local Educational Agencies	84.010	C1S1-02 C C1S1-01 C C1S1-03	157,288		32,764 507 151,430	
Total Title 1 Grants to Local Educational Agencies			157,288		184,701	
Title 1 Accountability Grant	84.348	AK-S1 02	69,459		39,566	
Special Education Grants to States	84.027	6BSF-03-P	11,443		16,381	
Innovative Education Program Strategies	84.298	C2S1-01 C2S1-02 C2-S1-03	1,043		262 175 782	
Total Innovative Education Program Strategies			1,043		1,219	
Eisenhower Professional Development State Grants	84.281	MSS1-01 MSS1-02	104		1,828 861	
Total Eisenhower Professional Development State Grants			104		2,689	
Education Technology State Grants	84.318	TJS1-01 TJS1-03	933		2,861 741	
Total Education Technology State Grants			933		3,602	
Class Size Reduction	84.340	CRSI-01 CRSI-02			4,125 11,478	
Total Class Size Reduction					15,603	
Improving Teacher Quality State Grants	84.367	TRSI-03	8,911		18,211	
Safe and Drug Free Schools and Communities State Grants	84.186	DRS1-00 DRS1-02 DRS1-03	165		433 637 200	
Total Safe and Drug Free Schools and Communities State Grants			165		1,270	
Total U.S. Department of Education			249,346		283,242	
Total Federal Financial Assistance			\$394,835	\$11,723	\$428,731	\$11,723

The accompanying notes to this schedule are an integral part of this schedule.

**WORLD OF WONDER ACCELERATED LEARNING COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2003**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the School's federal award programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - CHILD NUTRITION CLUSTER

Program regulations do not require the School to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This nonmonetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

World of Wonder Accelerated Learning Community School
Montgomery County
4411 Oakridge Drive
Dayton, Ohio 45417

To the Governing Board:

We have audited the financial statements of World of Wonder Accelerated Learning Community School, Montgomery County, (the School), as of and for the year ended June 30, 2003, and have issued our report thereon dated February 25, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management of the school in a separate letter dated February 25, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect World of Wonder Accelerated Learning Community School's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2003-001.

**Internal Control Over Financial Reporting
(Continued)**

A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above as item 2003-001 is considered to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School in a separate letter dated February 25, 2004.

This report is intended for the information and use of the audit committee, management, the Governing Board, and 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.



Betty Montgomery
Auditor of State

February 25, 2004



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

World of Wonder Accelerated Learning Community School
Montgomery County
4411 Oakridge Drive
Dayton, Ohio 45417

To the Governing Board:

Compliance

We have audited the compliance of World of Wonder Accelerated Learning Community School, Montgomery County, (the School), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2003. The School'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 its major federal programs is the responsibility of the School's management. Our responsibility is to express an opinion on the School'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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the School'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 the School's compliance with those requirements.

In our opinion, school complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings as items 2003-002, 2003-003, and 2003-004. We also noted an instance of noncompliance that does not require inclusion in this report that we have reported to management of the School in a separate letter dated February 25, 2004.

Internal Control Over Compliance

The management of the School 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 the School'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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, Governing Board, and 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.



Betty Montgomery
Auditor of State

February 25, 2004

**WORLD OF WONDER ACCELERATED LEARNING COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 §.505
FOR YEAR ENDED JUNE 30, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Title I: 84.010 Title I School Accountability: 84.348
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING 2003-001

Material Weakness

Fixed Assets

The fixed asset listing should be completed with values and identification numbers and updated each year to include any additions and deletions. The guidelines for fixed assets purchased with federal funds should also be followed. The following weaknesses were noted when examining fixed assets:

- Fixed asset listing did not include cost of equipment;
- Depreciation calculation was based on annual purchases rather than individual equipment;
- Depreciation was calculated over five years rather than over the policy-approved ten years;
- Depreciation was not taken in year of acquisition;
- Computers were purchased with out-of-date software and at a higher price;
- Fixed asset listing maintained by computer technician was incomplete.

This caused the fixed asset listing and financial statements to be incorrectly stated. The accompanying financial statements were adjusted to correct these errors.

The following action should be taken:

- One person should be placed in charge of fixed assets and update the listing each year;
- A physical inventory should be taken at least every 2 years;
- Equipment on the listing valued under \$500 should be deleted;
- Equipment omitted in error such as drums, desks, etc. should be added;
- Cost of equipment should be included on the fixed asset listing;
- Computer technician should comparatively price computers before purchasing and maintain documentation;
- Depreciation should be calculated on individual equipment items rather than by groups;
- The fixed asset policy should be followed or modified as needed.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Final Expenditure Report

Finding Number	2003-002
CFDA Title and Number	Title I Grants to Local Educational Agencies CFDA #84.010
Federal Award Number / Year	C1-S1-02C
Federal Agency	U. S. Department of Education
Pass-Through Agency	Ohio Department of Education

Title I reporting compliance requires the School to submit a final expenditure report no later than 60 days after the end of the project period. Failure to submit the report in a timely manner may result in a temporary suspension of the flow of federal funds for Title I until the project is closed.

The final expenditure report for FY03 was due no later than November 30, 2003. The report was not filed until December 10, 2003.

Final Expenditure Report

Finding Number	2003-003
CFDA Title and Number	Title I Accountability Grant CFDA #84.348
Federal Award Number / Year	AK-S1-02
Federal Agency	U. S. Department of Education
Pass-Through Agency	Ohio Department of Education

Title I Accountability Grant reporting compliance requires the School to submit a final expenditure report no later than 60 days after the end of the project period. Failure to submit the report in a timely manner may result in a temporary suspension of the flow of federal funds for Title I until the project is closed.

The final expenditure report for FY02 was due no later than November 30, 2002. The report was not filed until December 10, 2003 and as of January 20, 2004, the report has not been approved by the Ohio Department of Education.

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Destruction of Records

Finding Number	2003-004
CFDA Title and Number	Title I Accountability Grant CFDA #84.348
Federal Award Number / Year	AK-S1-02
Federal Agency	U. S. Department of Education
Pass-Through Agency	Ohio Department of Education

Ohio Rev. Code Section 149.351 states all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Sections 149.38 to 149.42 , Revised Code.

The grant agreement and project cash request forms for Title I Accountability Grant were not made available during the audit. The Treasurer and Grant Coordinator should retain all grant records in accordance with guidelines approved by the school's records retention committee as outlined in the above sections of Ohio Rev. Code.

**WORLD OF WONDER ACCELERATED LEARNING COMMUNITY SCHOOL
MONTGOMERY COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 §.315 (c)
FOR YEAR ENDED JUNE 30, 2003**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2003-001	School is working to correct	FY 04	Treasurer and Principal
2003-002	Final Expenditure Report will be filed timely	Immediately	Treasurer and Principal
2003-003	Final Expenditure Report will be filed timely	Immediately	Treasurer and Principal
2003-004	School will retain all records	Immediately	Treasurer and Principal

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**Auditor of State
Betty Montgomery**

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WORLD OF WONDER ACCELERATED LEARNING COMMUNITY SCHOOL

MONTGOMERY 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
APRIL 15, 2004**