WORLD OF WONDER ACCELERATED LEARNING
COMMUNITY SCHOOL

MONTGOMERY COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JULY 30. 2004

Auditor of State
Betty Montgomery

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

## TABLE OF CONTENTS

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 basic financial statements of the World of Wonder Accelerated Learning Community School, Montgomery County, (the School), as of and for the year ended June 30, 2004, 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 School, as of June 30, 2004, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2004, the School implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2005 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.

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Management's Discussion and Analysis (MD&A) 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, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Betty Montgomery

**Betty Montgomery**
Auditor of State

March 11, 2005

**MANAGEMENT'S DISCUSSION AND ANALYSIS**
**FOR THE YEAR ENDED JUNE 30, 2004**
**UNAUDITED**

The discussion and analysis of the World of Wonder Accelerated Learning Community School's financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School'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 School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments 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

- In total, net assets increased $183,134, which represents a 53.9 percent increase from 2003.
- Total assets increased $187,008, which represents a 30.2 percent increase from 2003.
- Liabilities increased $3,874, which represents a 1.4 percent increase from 2003.

## 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 revenues, expenses and changes in net assets, and a statement of cash flows.

## Statement of Net Assets

The Statement of Net Assets answers the question, "How did we do financially during 2004?" This statement includes all assets and liabilities, both financial and capital, and short-term and long-term using the accrual basis of accounting and economic resources focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the School's net assets for fiscal year 2004 and fiscal year 2003:

**(Table 1)**
**Net Assets**

| | 2004 | 2003 |
|---|---|---|
| **Assets** | | |
| Current Assets | $733,443 | $555,426 |
| Capital Assets, Net | 72,644 | 63,653 |
| Total Assets | 806,087 | 619,079 |
| **Liabilities** | | |
| Current Liabilities | 176,453 | 179,167 |
| Non-Current Liabilities | 106,413 | 99,825 |
| Total Liabilities | 282,866 | 278,992 |
| **Net Assets** | | |
| Invested in Capital Assets | 72,644 | 63,653 |
| Restricted | 76,842 | 75,945 |
| Unrestricted | 373,735 | 200,489 |
| Total Net Assets | $523,221 | $340,087 |

Total assets increased $187,008. This increase was primarily due to an increase in student enrollment. Equity in pooled cash and cash equivalents increased by $192,124 from 2003. Intergovernmental Receivables decreased by $59,088. Capital Assets, net of depreciation increased by $8,991. Unrestricted net assets increased due to the School receiving a local grant in the amount of $100,000. In addition, a sixth grade was added which increased enrollment and generated additional revenue.

Table 2 shows the changes in net assets for fiscal year 2003 and fiscal year 2004, as well as a listing of revenues and expenses.

**(Table 2)**
**Change in Net Assets**

| | 2004 | 2003 |
|---|---|---|
| Operating Revenues: | | |
| State Foundation | $1,990,874 | $1,648,305 |
| Disadvantaged Pupil Impact Aid | 366,469 | 343,218 |
| Miscellaneous | 5,574 | 6,624 |
| Total Operating Revenues | 2,362,917 | 1,998,147 |
| Non-Operating Revenues: | | |
| Federal and State Grants | 555,071 | 553,088 |
| Commodities | 8,742 | 11,723 |
| Gifts and Donations | 166,598 | 103,124 |
| Interest | 7,191 | 11,976 |
| Total Non-Operating Revenues | 737,602 | 679,911 |
| Total Revenues | 3,100,519 | 2,678,058 |
| | | |
| Operating Expenses | | |
| Salaries | 1,771,664 | 1,566,835 |
| Fringe Benefits | 498,653 | 362,878 |
| Purchased Services | 424,115 | 397,549 |
| Rent | 164,829 | 164,829 |
| Materials and Supplies | 41,482 | 324,885 |
| Depreciation | 16,642 | 32,931 |
| Other Expenses | 0 | 30,999 |
| Total Expenses | 2,917,385 | 2,880,906 |
| | | |
| Change in Net Assets | 183,134 | (202,848) |
| Net Assets Beginning of Year | 340,087 | 594,872 |
| Net Assets End of Year | $523,221 | $392,024 |

There was an increase in revenues of $422,461 and an increase in expenses of $36,479 from 2003. Of the increase in revenues, the foundation payments increased by $342,569 and the Disadvantaged Pupil Impact Aid increased by $23,251. Community Schools receive no support from tax revenues. Gifts and Donations revenue increased due to the School receiving a $100,000 local grant. Also, a sixth grade was added for fiscal year 2004 increasing enrollment by 45 students and generating additional State Foundation revenue of $406,051. The difference between fiscal year 2003 ending net assets and fiscal year 2004 beginning net assets is due to a capital assets restatement.

The expense for salaries increased by $204,829 and the expense for fringe benefits increased by $135,775 from 2003. This was primarily due to the addition of teachers and administrative personnel to accommodate the increase in enrollment. Also, salaries were increased between four and five percent as part of the negotiated agreement through Dayton Public Schools.

## Capital Assets

At the end of fiscal year 2004 the School had $72,644, invested in furniture and equipment which represented an increase of $8,991 from 2003. Table 3 shows fiscal year 2004 and fiscal year 2003:

**(Table 3)**
**Capital Assets at June 30, 2004**
**(Net of Depreciation)**

| | 2004 | 2003 |
|---|---|---|
| Furniture and Equipment | $72,644 | $63,653 |

For more information on capital assets see Note 6 to the basic financial statements.

## Debt Administration

The School did not have any outstanding debt at June 30, 2004.

## Current Financial Issues

To insure this financial position, the School has changed the purchasing process to one that requires purchase orders prior to the purchase, rather than submitting the purchase order and invoice at the same time for payment.

## Contacting the School's Financial Management

This financial report is designed to provide our citizen's with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information contact Phyllis Bixler, Treasurer at World of Wonder Accelerated Learning Community School, 4411 Oakridge Drive, Dayton, Ohio 45417 or e-mail at ww_treas@mdeca.org.

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

**STATEMENT OF NET ASSETS**
**AS OF JUNE 30, 2004**

| | |
|---|---|
| **ASSETS** | |
| **Current Assets** | |
| Equity in Pooled Cash and Cash Equivalents | $664,645 |
| Accounts Receiable | 46,914 |
| Intergovernmental Receivable | 18,956 |
| Accrued Interest Receivable | 2,928 |
| Total Current Assets | 733,443 |
| **Non-Current Assets** | |
| Capital Assets: | |
| Depreciable Capital Assets, Net | 72,644 |
| **Total Assets** | 806,087 |
| **LIABILITIES** | |
| **Current Liabilities** | |
| Accounts Payable | 19,081 |
| Accrued Wages and Benefits Payable | 91,702 |
| Intergovernmental Payable | 65,670 |
| **Total Current Liabilities** | 176,453 |
| **Non-Current Liabilities** | |
| Due In More Than One Year | 106,413 |
| **Total Liabilities** | 282,866 |
| **NET ASSETS** | |
| Invested in Capital Assets | 72,644 |
| Restricted | 76,842 |
| Unrestricted | 373,735 |
| **Total Net Assets** | $523,221 |

*The accompanying notes to the basic 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 NET ASSETS
## FOR THE YEAR ENDED JUNE 30, 2004

| | |
|---|---|
| **Operating Revenues** | |
| State Foundation | $1,990,874 |
| Disadvantaged Pupil Impact Aid | 366,469 |
| Miscellaneous | 5,574 |
| **Total Operating Revenues** | 2,362,917 |
| **Operating Expenses** | |
| Salaries | 1,771,664 |
| Fringe Benefits | 498,653 |
| Purchased Services | 424,115 |
| Rent | 164,829 |
| Materials and Supplies | 41,482 |
| Depreciation | 16,642 |
| **Total Operating Expenses** | 2,917,385 |
| **Operating Loss** | (554,468) |
| **Non-Operating Revenues** | |
| Federal and State Grants | 555,071 |
| Commodities | 8,742 |
| Gifts and Donations | 166,598 |
| Interest | 7,191 |
| **Total Non-Operating Revenues** | 737,602 |
| **Change in Net Assets** | 183,134 |
| **Net Assets Beginning of Year - Restated Note 3** | 340,087 |
| **Net Assets End of Year** | $523,221 |

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

**WORLD OF WONDER ACCELERATED LEARNING COMMUNITY SCHOOL**
**STATEMENT OF CASH FLOWS**
**FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

| | |
|---|---|
| **Increase (Decrease) in Cash and Cash Equivalents** | |
| **Cash Flows Used for Operating Activities** | |
| Cash Received from State of Ohio | $2,388,544 |
| Cash Received from Miscellaneous Sources | 5,160 |
| Cash Payments to Employees for Services | (2,262,218) |
| Cash Payments to Suppliers for Goods and Services | (497,783) |
| Net Cash Used for Operating Activities | (366,297) |
| **Cash Flows from Noncapital Financing Activities** | |
| Federal and State Grants Received | 454,832 |
| Gifts and Donations | 120,098 |
| Net Cash Provided by Noncapital Financing Activities | 574,930 |
| **Cash Flows from Capital and Related Financing Activities** | |
| Payments for Capital Acquisitions | (25,633) |
| **Cash Flows from Investing Activities** | |
| Interest | 9,124 |
| Net Increase in Cash and Cash Equivalents | 192,124 |
| Cash and Cash Equivalents at Beginning of Year | 472,521 |
| Cash and Cash Equivalents at End of Year | $664,645 |
| **Reconciliation of Operating Loss to Net Cash Used for Operating Activities** | |
| Operating Loss | ($554,468) |
| **Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities** | |
| Commodities Received | 8,742 |
| Depreciation | 16,642 |
| Federal and State Subsidies | 175,724 |
| **Changes in Assets and Liabilities** | |
| Increase in Accounts Receivable | (414) |
| Increase in Intergovernmental Receivable | (16,397) |
| Decrease in Accounts Payable | (51,823) |
| Decrease in Accrued Wages and Benefits | (3,970) |
| Increase in Intergovernmental Payable | 53,079 |
| Increase in Compensated Absences Payable | 6,588 |
| Total Adjustments | 188,171 |
| Net Cash Used for Operating Activities | ($366,297) |

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

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**NOTES TO THE BASIC FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED JUNE 30, 2004**

## 1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

The World of Wonder Accelerated Learning 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 6. 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 through June 30, 2006. 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 "Federal and State Grants," "Commodities," and "Purchased Services" 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 primary government of the School consists of one fund, several departments and the board that is not legally separate from the School. This includes general operations and student related activities of the School. Also, the School is associated with the Metropolitan Dayton Education Computer Association, which is defined as a jointly governed organization. It is a computer consortium of area schools sharing computer resources. (See Note 15)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) 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 (FASB) 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

The School's basic financial statements consist of a statement of net assets, a statement of revenues, 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

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 School 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 School'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 School 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 School must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

Expenses are recognized at the time they are incurred.

### D. 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 School maintains a capitalization threshold of one thousand 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.

All reported capital assets 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 and Equipment | 10 - 30 years |

### E. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if 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 with more than one year of service.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The School records a liability for accumulated unused sick leave for employees with at least 15 years of current service for all positions (including certified and non-certified staff).

### F. Net Assets

Net assets represent the difference between assets and liabilities. Net assets, invested in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. The School has no debt. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Restricted net assets include federal and state grants restricted to expenditures for specified purposes.

### G. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the School, these revenues are primarily foundation payments from the State and sales for food services. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the School. Revenues and expenses not meeting this definition are reported as non-operating.

### H. 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 those estimates.

### I. 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 contract between the School and its sponsor.

The contract agreement between the School and its Sponsor does not prescribe a budgetary process for the School; therefore no budgetary information is presented in the financial statements. 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.

## 3. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2004, the School has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus", Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", GASB Statement No. 41, "Budgetary Comparison Schedules – Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements."

GASB Statement No. 34 creates new basic financial statements for reporting on the School's financial activities.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures that potentially could arise, in interpretation and practice.

GASB Statement No. 37 clarifies certain provisions of GASB Statement No. 34, including the required content of Management's Discussion and Analysis, the classification of program revenues and the criteria for determining major funds.

GASB Statement No. 38 modifies, establishes and rescinds certain financial statement note disclosures.

GASB Statement No. 39 further defines the guidelines of GASB Statement No. 14, "The Financial Reporting Entity". The implementation of this new statement had no effect on the School District's financial statements for fiscal year 2004.

The School increased the capitalization threshold for capital assets from $500 to $1,000. This caused capital assets to change by $51,937 from $115,590 to $63,653 at June 30, 2003.

## 4. DEPOSITS

**Deposits:** At fiscal year end, the carrying amount of the School's deposits was $664,645, and the bank balance was $703,611. Of the bank balance, $205,211 was covered by federal depository insurance and $498,400 was considered uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging financial institution's trust department in the School's name and all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School to a successful claim by the Federal Deposit Insurance Corporation.

**Investments:** The School does not have any investments.

## 5. RECEIVABLES

Receivables at June 30, 2004, consisted of accounts, intergovernmental (State Foundation and Federal and State grants), and accrued interest receivables. All receivables are considered collectible in full and will be received within one year. A summary of the principal items of intergovernmental receivables follows:

| | |
|---|---|
| DPIA | $16,397 |
| IDEA | 62 |
| Title V | 2,497 |
| Total Intergovernmental Receivable | $18,956 |

## 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004:

| | Restated Balance 6/30/03 | Additions | Deletions | Balance 6/30/04 |
|---|---|---|---|---|
| Capital Assets Being Depreciated | | | | |
| Furniture and Equipment | $83,210 | $25,633 | $0 | $108,843 |
| Less Accumulated Depreciation: | | | | |
| Furniture and Equipment | (19,557) | (16,642) | 0 | (36,199) |
| Total Capital Assets Being Depreciated, Net | $63,653 | $8,991 | $0 | $72,644 |

## 7. 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 2004, 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 School carries liability insurance with Selective Insurance Company of South Carolina of $2,000,000 single occurrence and $4,000,000 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.

## 7. RISK MANAGEMENT (Continued)

### C. Medical, Dental, and Vision Benefits

The School carries their medical insurance through a sub-contract with the 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 |
|---|---|
| Single: | $287 per month |
| Family: | $731 per month |

For Fiscal Year 2004 the annual cost of the Plan I was $ 8,770 for Family coverage and $3,442 for the Single 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 $728 for Family and $292 for Single Coverage.

## 8. DEFINED BENEFIT PENSION PLANS

### A. School Employees Retirement System

The School contributes to the School Employees Retirement System (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 43215-3476. or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School's 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 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 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 School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002, were $16,573, $12,535, and $7,912, respectively; 100 percent has been contributed for all three fiscal years.

### B. State Teachers Retirement System of Ohio

The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio 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, by calling (614) 227-4090, or by visiting the STRS Ohio Web site at www.strsoh.org.

## 8. DEFINED BENEFIT PENSION PLANS (Continued)

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.

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 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 2003, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% 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, 2004, 2003, and 2002, were $206,274, $163,643, and $101,871, respectively; 100 percent has been contributed for all three fiscal years. Contributions to the DC and Combined Plans for fiscal year 2004 were $583 made by the plan members.

## 9. POSTEMPLOYMENT BENEFITS

The School District 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.

## 9. POSTEMPLOYMENT BENEFITS (Continued)

All retirees who participated in the DB or Combined Plans 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, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled $15,867 for fiscal year 2004.

STRS Ohio pays health care benefits from the Health Care Reserve Fund. At June 30, 2004, the balance in the Fund was $3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS Ohio were $268,739,000 and STRS Ohio had 111,853 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, 2004, employer contributions to fund health care benefits were 4.91 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 2004, the minimum pay was established at $25,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled $12,856. 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, 2004, were $223,443,805 and the target level was $335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of $300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

## 10. 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:

## 10. EMPLOYEE BENEFITS (Continued)

| 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 out at one-fourth of the accumulated balance, up to a maximum of 45 days.

### B. Life and Accidental Death Benefits

The School provides life insurance and accidental death and dismemberment insurance to employees through Unum Life Insurance Company.

## 11. OPERATING LEASE

The School leases a building and office facility from Dayton City Schools (the Sponsor), under a non-cancelable operating lease. The term of this lease commences July 12, 1999 and has been extended through June 30, 2006. 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, 2004. The estimated future minimum lease payments as of June 30, 2004 are as follows:

| Year Ending June 30, | Amount |
|---|---|
| 2005 | $164,829 |
| 2006 | 164,829 |
| | $329,658 |

## 12. LONG-TERM OBLIGATIONS

The changes in the School's long-term obligations during fiscal year 2004 were as follows:

| Long-Term Obligation | Amount Outstanding 6/30/2003 | Additions | Deletions | Amount Outstanding 6/30/2004 |
|---|---|---|---|---|
| Compensated Absences | $99,825 | $6,588 | $0 | $106,413 |

## 13. RESTRICED NET ASSETS

At June 30, 2004, the School reported restricted net assets totaling $76,842. The nature of the restrictions on these net assets is as follows:

| | |
|---|---|
| Federal Specific Educational Program Grants | $74,028 |
| State Specific Educational Program Grants | 2,814 |
| Total | $76,842 |

## 14. 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 of the State, upon which state foundation funding is calculated. This review resulted in a subsequent reduction of $47,598 on fiscal year 2004 foundation revenue as well as a corresponding increase in intergovernmental payable as of June 30, 2004.

### C. 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 effect of this suit, if any on the World of Wonder Accelerated Learning Community School is not presently determinable.

## 15. JOINTLY GOVERNED ORGANIZATION

**Metropolitan Dayton Educational Cooperative Association -** The School is a participant in the Metropolitan Dayton Educational Cooperative Association (MDECA) which is a computer consortium. MDECA is an association of public school districts within the boundaries of Montgomery, Miami and Darke Counties. The organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member school districts.

## 15. JOINTLY GOVERNED ORGANIZATION (Continued)

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School paid MDECA $13,222 for services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as director, at 225 Linwood Street, Dayton, Ohio 45405.

## 16. PURCHASED SERVICES

For the year ended June 30, 2004, purchased services expenses for services rendered by various vendors were as follows:

| | |
|---|---|
| Food Service | $184,466 |
| Professional and Technical Services | 155,959 |
| Contractual Services | 36,190 |
| Property Services | 32,980 |
| Pupil Transportation | 10,959 |
| Communications | 2,169 |
| Travel & Meeting Expenses | 1,392 |
| Total | $424,115 |

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**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 the World of Wonder Accelerated Learning Community School, Montgomery County, (the School), as of and for the year ended June 30, 2004, and have issued our report thereon dated March 11, 2005 wherein we noted the School implemented a new financial reporting model, as required by the provisions of Governmental Auditing Standard Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for the State and Local Governments*. 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 tested its compliance with certain provisions of laws, regulations, contracts and grants, 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 such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the School's management in a separate letter dated March 11, 2005.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the School's internal control over financial reporting 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the School's management in a separate letter dated March 11, 2005.

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This report is intended solely for the information and use of the audit committee, management, and governing board, and is not intended to be and should not be used by anyone other than these specified parties.

Betty Montgomery

**Betty Montgomery**
Auditor of State

March 11, 2005

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

**FISCAL YEAR ENDED JUNE 30, 2004**
**SCHEDULE OF PRIOR AUDIT FINDINGS**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***: |
|---|---|---|---|
| 2003-001 | Completeness of fixed asset listing, performing physical inventories and following fixed asset policy for depreciable lives of assets | Partially | School performed a physical inventory and no errors were noted in the completeness of the fixed asset listing. However, the school did not follow its fixed asset policy for depreciable lives of the assets; the issue has been addressed in a separate letter to management. |
| 2003-002 | Failure to file Final Expenditure Report for Title I grant for Local Educational Agencies (CFDA# 84.010) in a timely manner | Yes | |
| 2003-003 | Failure to file Final Expenditure Report for Title I Accountability Grant (CFDA# 84.348) in a timely manner | Yes | |
| 2003-004 | Availability of grant agreements and project cash request forms for Title I Accountability Grant (CFDA# 84.348) | Yes | |

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**
**MAY 5, 2005**