



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

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

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

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Governance:

We have audited the accompanying balance sheet of the World of Wonder Accelerated Learning Community School, Montgomery County, (the Community School), as of June 30, 2000, and the related Statement of Revenues, Expenses, and Changes in Retained Earnings and the Statement of Cash Flows for the year then ended. These financial statements are the responsibility of the Community 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 generally accepted auditing standards 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, 2000, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2000 on our consideration of the Community 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.

Jim Petro
Auditor of State

December 15, 2000

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

**BALANCE SHEET
AS OF JUNE 30, 2000**

Assets

Cash and Cash Equivalents	\$181,077
Fixed Assets (net, where applicable, of accumulated depreciation)	<u>44,796</u>
Total Assets	<u><u>\$225,873</u></u>

Liabilities and Fund Equity

Liabilities

Intergovernmental Payable	\$484
Accounts Payable	2,011
Accrued Wages and Benefits	25,611
Compensated Absences Payable	<u>98,690</u>

Total Liabilities 126,796

Fund Equity

Retained Earnings 99,077

Total Equity 99,077

Total Liabilities and Fund Equity \$225,873

See Accompanying Notes to the Financial Statements.

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

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

Operating Revenues	
Foundation Payments	\$764,299
Disadvantaged Pupil Impact Aid	<u>323,324</u>
Total Operating Revenues	<u>1,087,623</u>
Operating Expenses	
Salaries	788,178
Fringe Benefits	156,685
Purchased Services	246,194
Materials and Supplies	36,856
Other	<u>165</u>
Total Operating Expenses	<u>1,228,078</u>
Operating Loss	<u>(140,455)</u>
Non-Operating Revenues	
Interest	10
Federal and State Subsidies	218,209
Other Contributions	<u>21,313</u>
Total Non-Operating Revenues	<u>239,532</u>
Net Income	99,077
Retained Earnings at Beginning of Year	<u>0</u>
Retained Earnings at End of Year	<u><u>\$99,077</u></u>

See Accompanying Notes to the Financial Statements.

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

**STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000**

Increase (Decrease) in Cash and Cash Equivalents

Cash Flows from Operating Activities

Cash Received from State of Ohio	\$1,087,623
Cash Payments to Employees for Services	(820,078)
Cash Payments to Suppliers for Goods and Services	(281,039)
Other Operating Expenses	<u>(165)</u>

Net Cash Used for Operating Activities (13,659)

Cash Flows from Noncapital Financing Activities

Federal and State Subsidies	218,209
Contributions	<u>21,313</u>

Net Cash Provided by Noncapital Financing Activities 239,522

Cash Flows from Capital and Related Financing Activities

Payments for Capital Acquisitions	<u>(44,796)</u>
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Net Cash Used for Capital and Related Financing Activities (44,796)

Cash Flows from Investing Activities

Interest	<u>10</u>
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Net Cash Provided by Investing Activities 10

Net Increase in Cash and Cash Equivalents 181,077

Cash and Cash Equivalents at Beginning of Year 0

Cash and Cash Equivalents at End of Year \$181,077

Reconciliation of Operating Loss to Net Cash

Used for Operating Activities

Operating Loss (\$140,455)

Adjustments To Reconcile Operating Loss to Net Cash

Used for Operating Activities

Changes in Assets and Liabilities

Increase in Accounts Payable	2,011
Increase in Intergovernmental Payable	484
Increase in Accrued Wages	25,611
Increase in Compensated Absences Payable	<u>98,690</u>

Total Adjustments 126,796

Net Cash Used for Operating Activities (\$13,659)

See Accompanying Notes to the Financial Statements.

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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, 2000**

Note 1 – Description of the School and Reporting Entity

The World of Wonder Accelerated Learning Community 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 2. 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. World of Wonder Accelerated Learning Community School qualifies as an 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 three years commencing July 1, 1999 - June 30, 2000. 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. In consideration of permitting the creation of the School, the School makes an annual lease payment of \$121,255 to the Dayton City Board of Education (See Note 12).

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' one instructional/support facility staffed by 3.5 non-certified and 15 certified full-time equivalent teaching personnel who provide instructional services to 199 students. A Principal and Business Manager/Treasurer handle administrative responsibilities.

The Governing Board has entered into a consulting contract with the University of Dayton to provide consulting services for teacher training and curriculum development. In exchange for its services, the University of Dayton receives a management fee of \$21,850 annually.

Note 2 – Summary of Significant Accounting Policies

The financial statements of the World of Wonder Accelerated Learning Community 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

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, 2000
(Continued)**

Note 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. Equity (i.e.net total assets) is segregated into contributed capital and retained earnings components. 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 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 between World of Wonder Accelerated Learning Community School and its sponsor, Dayton City Board of Education, does not prescribe a budgetary process for the School.

D. Cash and Cash Equivalents

All monies received by the School are maintained in a demand deposit account. For internal accounting purposes, the School segregates its cash for control purposes.

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.

Depreciation of furniture and equipment and vehicles 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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

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 they are earned and become measurable.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which they are earned and become measurable.

The World of Wonder also participates in the Federal Charter School Grant Program through the Ohio Department of Education. Under this program, World of Wonder was awarded \$50,000 for the planning phase of the school and an additional \$50,000 during the 1999-2000 Fiscal Year.

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. The School records a liability for accumulated unused sick leave for classified employees with at least 15 years of service.

I. Accrued Liabilities

Obligations incurred but unbilled prior to June 30, 2000, are reported as accrued liabilities in the accompanying financial statements.

Note 3 – Accountability and Compliance

Legal Compliance

The contract entered into between the School and the Dayton City School District, the Sponsor, does not require the School to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

Note 4 – Deposits and Investments

State statutes classify moneys held by the School into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such money must be maintained either as cash in the School Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Governing Board has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to passbook accounts.

Interim deposits are deposits of interim moneys. Interim moneys are those moneys which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Protection of the School's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

During fiscal year 2000, there were no 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 \$181,077 and the bank balance was \$195,077. Of the bank balance, \$100,000 was covered by federal depository insurance and \$95,077 was 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, non-compliance with federal requirements could potentially subject the school district to a successful claim by the Federal Deposit Insurance Corporation.

Note 5 – Receivables

The school did not have any receivables at June 30, 2000. All receivables would be considered collectible in full due to the stable condition of State programs, and the current fiscal year guarantee of federal funds.

Note 6 – Fixed Assets

A summary of the School's fixed assets as of June 30, 2000 follows:

Furniture and equipment	\$44,796
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The school district does not take depreciation for assets acquired during the second half of the year of acquisition. For Fiscal Year 2000, no depreciation was taken as assets were acquired during the latter half of the fiscal year.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

Note 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 2000, the School was covered through the insurance program of the 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. World of Wonder School carries liability insurance with Nationwide Insurance Company of \$1,000,000 single occurrence and \$5,000,000 aggregate.

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 the Dayton City School District. The School pays 80% of medical benefits for employees hired prior to April 1, 1993 and 75% to those employed after April 1, 1993. The employee is responsible for the remainder of premiums. For Fiscal Year 1999-2000 the annual cost of such coverage is \$5,414.28 for Family and \$2,139.12 for Single Coverage.

The School sub-contracts with the 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 \$543.96 for Family and \$233.88 for Single Coverage.

Note 8 – 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, 45 N. Fourth St., Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District 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 2000, 5.5 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 year ended June 30, 2000 was \$5,088.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

Note 8 – Defined Benefit Pension Plans (Continued)

B. State Teachers Retirement System

The School contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2000, plan members were required to contribute 9.3 percent of their annual covered salaries. The School was required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The School's required contributions for pension obligations to STRS for the fiscal year ended June 30, 2000 was \$37,332.

Note 9 – Post Employment Benefits

The School provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), 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.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. 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 funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2000 the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the School, this amount equaled \$49,776 for fiscal year 2000.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 1999, (the latest information available) the balance in the Fund was \$2,783 million. For the year ended June 30, 1999 net health care costs paid by STRS were \$249,929,000 and STRS had 95,796 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, 2000 employer contributions to fund health care benefits were 8.50 percent of covered payroll, an increase from 6.3 percent for fiscal year 1999. 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 2000, the minimum pay was established at \$12,400. For the School, the amount contributed to fund health care benefits, including the surcharge, during the 2000 fiscal year equaled \$8,348.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

Note 9 – 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, 1999 (the latest information available), were \$126,380,984 and the target level was \$189.6 million. At June 30, 1999, SERS had net assets available for payment of health care benefits of \$188.0 million. SERS has approximately 41,000 participants currently receiving health care benefits.

Note 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 leave, 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 Paydays
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. Deferred Compensation

Employees may participate in the Ohio Public Employees Deferred Compensation Plan. This plan is created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

Note 10 – Employee Benefits (Continued)

C. 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 to 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 self-insurance plan administered by United Dental Care and Mutual Health Services, the third party administrators.

Note 11 – State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in the system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000 the School District received \$1,087,623 of school foundation support.

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, "...the mandate of the [Ohio] Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly..." including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the School District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000
(Continued)**

Note 12 – Operating Lease

The School leases a building and office facility from Dayton City Schools (the sponsor) under a noncancellable operating lease. The term of this lease commences July 12, 1999 and continues through June 30, 2002. The lease payment includes the cost of utilities, maintenance, custodial and grounds services. Additionally, a portion of the lease payment is a contribution toward roof replacement of the School's facility.

Total lease payments were \$121,255 for the year ended June 30, 2000. Of this total, \$13,896 represented the contributions toward roof replacement. The future minimum lease payments for this lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2001	\$121,255
2002	<u>121,255</u>
Total	<u>\$242,510</u>

Note 13 – Contingencies

The School received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the School. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School at June 30, 2000.

The School is not involved in any litigation proceedings.

Note 14 - Purchased Services

For the fiscal period July 1, 1999 through June 30, 2000, purchased service expenses were payments for services rendered by various vendors as follows:

Professional/Technical Services	\$112,480
Property Services	121,255
Meeting Expenses	6,360
Communications	2,740
Other	<u>3,359</u>
Total	<u>\$246,194</u>

Professional/Technical Services includes payments for consulting services from Alliance for Education, assistance from the computer consortium of which the School is a member, and other training received from various local vendors and education providers.

Note 15 - Subsequent Event

Under the contract with the Dayton City School District, the School makes an annual lease payment of \$121,245 to the Dayton City Board of Education. A portion of the lease payment (\$13,896) is a contribution toward roof replacement of the School's facility. As of December 15, 2000, the roof of the School's facility has not been replaced.

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

One First National Plaza
130 West Second Street
Suite 2040
Dayton, Ohio 45402
Telephone 937-285-6677
800-443-9274
Facsimile 937-285-6688
www.auditor.state.oh.us

**REPORT OF INDEPENDENT ACCOUNTANTS 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 Board of Governance:

We have audited the financial statements of the World of Wonder Accelerated Learning Community School, Montgomery County, (the Community School), as of and for the year ended June 30, 2000, and have issued our report thereon dated December 15, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 Community 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Community 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. 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 a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to management of the Community School in a separate letter dated December 15, 2000.

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

Jim Petro
Auditor of State

December 15, 2000



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
FEBRUARY 15, 2001**