



Mary Taylor, CPA
Auditor of State

WRIGHT EARLY CHILDHOOD COMMUNITY SCHOOL
GREENE COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Accountants' Report.....	1
Statement of Cash Receipts, Disbursements, and Changes in Fund Cash Balance - For the Period July 1, 2006 through December 31, 2007	3
Notes to the Financial Statements	5
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	11
Schedule of Findings.....	13

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Wright Early Childhood Community School
Greene County
306 E. Whittier Avenue
Fairborn, Ohio 45324

To the Board of Directors:

We have audited the accompanying financial statements of Wright Early Childhood Community School, Greene County, (the School) as of and for the period July 1, 2006 through December 31, 2007. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Ohio Administrative Code Section 117-2-03 (B) requires the School to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes have been prepared on an accounting basis not in accordance with these generally accepted accounting principles. The accompanying financial statements and notes omit entity wide statements, and assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

As discussed in Note 1, the Sponsor decided to include full time kindergarten to all eligible students within the Fairborn School District thereby closing the Wright Early Childhood Community School on June 30, 2007. The Board of Directors approved the termination of operations at the School by board resolution on June 12, 2007.

In our opinion, the accompanying financial statements do not present fairly the financial position, results of operation, and cash flows of the Wright Early Childhood Community School as of and for the period July 1, 2006 through December 31, 2007 in accordance with accounting principles generally accepted in the United States of America.

The School has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2008, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

Mary Taylor, CPA
Auditor of State

July 9, 2008

**WRIGHT EARLY CHILDHOOD COMMUNITY SCHOOL
GREENE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCE
FOR THE PERIOD JULY 1, 2006 THROUGH DECEMBER 31, 2007**

Operating Cash Receipts	
State Foundation	\$242,866
Interest	223
Total Operating Cash Receipts	<u>243,089</u>
Operating Cash Disbursements	
Salaries	20,592
Fringe Benefits	4,443
Purchased Services	223,583
Materials and Supplies	12,534
Capital Outlay	26,542
Other	36
Total Operating Cash Disbursements	<u>287,730</u>
Operating Loss	<u>(44,641)</u>
Non-Operating Cash Receipts	
Federal Grants	88,300
State Grants	3,000
Total Non-Operating Cash Receipts	<u>91,300</u>
Excess of Receipts Over Disbursements	46,659
Fund Cash Balance, July 1, 2006	<u> </u>
Fund Cash Balance, December 31, 2007	<u><u>\$46,659</u></u>

See accompanying notes to the financial statements.

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**WRIGHT EARLY CHILDHOOD COMMUNITY SCHOOL
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD JULY 1, 2006 THROUGH DECEMBER 31, 2007**

1. DESCRIPTION OF THE ENTITY

Wright Early Childhood Community School (the School) is a nonprofit corporation established pursuant to Ohio Rev. Code Chapters 3314 and 1702 to address the growing need for a comprehensive educational program delivered to students in kindergarten. The comprehensive educational program will address the need for a full day kindergarten environment by combining developmentally appropriate curriculum and instruction by highly qualified early childhood educators with support from Fairborn City School District, parents, community and Wright State University resources to better prepare the young students for their future educational experiences.

The School was approved for operation under contract with the Fairborn City School District (the Sponsor) for a period of five years commencing April 24, 2005. The School accepted students beginning August 2006, totalling 80 all day kindergarten students. 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 operates under the direction of a five-member Board of Directors. 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.

At the conclusion of the 2007 fiscal year, the Sponsor decided to include full time kindergarten for all eligible students within the Fairborn School District thereby closing the Wright Early Childhood Community School. The Board of Directors approved the termination of operations at the School by board resolution on June 12, 2007.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Although required by Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial report in accordance with generally accepted accounting principles, the School chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted for school districts by the Auditor of State. The School recognizes receipts when received in cash rather than when earned and recognizes disbursements when paid rather than when a liability is incurred.

A. Basis of Presentation

Enterprise Accounting

The School uses enterprise accounting to track and report on its financial activities. 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 of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

B. 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 School's contract with its Sponsor or otherwise adopted by the Board of Directors. The contract between the School and its Sponsor prescribes a budget requirement of preparing five-year forecast annually. The contract also states the School will follow the operating procedures recommended by the Auditor of State, including those related to regular presentation, review, discussion, and approval or rejection of the budget and reports of current and encumbered expenses. The School currently prepares an annual five-year forecast budget and the Board of Directors receives financial statements on a bi-monthly basis.

**WRIGHT EARLY CHILDHOOD COMMUNITY SCHOOL
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD JULY 1, 2006 THROUGH DECEMBER 31, 2007
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Cash

All monies received by the School are maintained in a demand deposit account.

D. Intergovernmental Revenues

The School currently participates in the State Foundation Program. Revenues from this program are recognized as operating revenues in the accompanying financial statements.

3. DEPOSITS

At December 31, 2007 the book balance of the School's deposits was \$46,659 and the bank balance was \$46,659. The entire bank balance was covered by federal depository insurance.

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

The School has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or protected by eligible securities pledged to and deposited either with the School or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

4. RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. For fiscal year 2007, the School contracted with Wallace & Turner, Inc. for commercial and liability insurance.

<u>Type of Coverage</u>	<u>Coverage</u>
Commercial General Liability	\$1,000,000 Each Occurrence Limit \$1,000,000 General Aggregate \$5,000 Medical Expense One Person \$2,000,000 General Aggregate \$2,000,000 Products/Completed Operations
Fire Damage Liability	\$100,000 Any One Fire
Medical Expense Limit	\$5,000 Any One Person

**WRIGHT EARLY CHILDHOOD COMMUNITY SCHOOL
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD JULY 1, 2006 THROUGH DECEMBER 31, 2007
(Continued)**

5. CONTRACT WITH MDECA

The School entered into a one year contract on August 9, 2006, for fiscal year 2007, with MDECA. Under the contract, services to be provided:

- Fiscal Services – accounting, inventory & A/R
- Student Services – SIS, DASL
- EMIS Services – reporting of student data

For fiscal year 2007, \$1,644 was paid to MDECA by the School.

6. CONTINGENCIES

A. Grants

The School received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the 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 December 31, 2007.

B. State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and fulltime 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 conclusions of this review could result in state funding being adjusted. However, in the opinion of the School, any such adjustments will not have a material adverse effect on the financial position of the School.

7. STATE SCHOOL FUNDING DECISION

A lawsuit entitled **Beverly Blount-Hill, et al. v. State of Ohio, et al., Case #:3:04CV197** was filed in the U. S. District Court, Southern District of Ohio, Western Division in October 2004. The suit alleges that the funding provisions of the Ohio Community Schools Act, O.R.C. Section 3314, violate both the Ohio and Federal Constitutions. If the funding scheme is determined to be unconstitutional, it could have financial ramifications for all community/charter schools. The case is still pending, and the effect of this suit, if any, on Wright Early Childhood Community School cannot presently be determined.

8. FISCAL AGENT

The School contracted with its fiscal officer for \$30,000 annually.

**WRIGHT EARLY CHILDHOOD COMMUNITY SCHOOL
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD JULY 1, 2006 THROUGH DECEMBER 31, 2007
(Continued)**

9. PURCHASED SERVICES

For the period ended December 31, 2007, purchased service expenses were payments for services rendered by various vendors, as follows:

Computer Services	\$ 1,644
Insurance Coverage	742
Fiscal Services	33,300
Legal Services	6,062
Professional Services	181,755
Total	<u>\$223,583</u>

10. FUNDING ADJUSTMENT

The School receives funding from the State Department of Education based upon student enrollment. During 2007, the School received overpayments totaling \$12,174. This amount was repaid to the State Department of Education in February 2008.

11. DEFINED BENEFIT PENSION PLANS

A. State Teachers Retirement System

The School District 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.strs.org.

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 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the 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.

**WRIGHT EARLY CHILDHOOD COMMUNITY SCHOOL
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD JULY 1, 2006 THROUGH DECEMBER 31, 2007
(Continued)**

11. DEFINED BENEFIT PENSION PLANS (Continued)

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2006, 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 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 District's required contributions for pension obligations to STRS Ohio for the fiscal year ended June 30, 2007 was \$17,964; 100 percent has been contributed for fiscal year 2007. Contributions to the DC and Combined Plans for fiscal year 2007 was \$17,964 made by the School District and \$12,831 made by the plan members.

B. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Retirement System. As of June 30, 2007, three members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

12. POST-EMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS Ohio), and to retired non-certificated 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 funded on a pay-as-you-go basis.

All STRS Ohio 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 cost 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, 2007, the STRS Board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled \$1,283 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006, (the latest information available) the balance in the Fund was \$3.5 billion. For the year ended June 30, 2006, net health care costs paid by STRS were \$282,743,000 and STRS had 119,184 eligible benefit recipients.

**WRIGHT EARLY CHILDHOOD COMMUNITY SCHOOL
GREENE COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE PERIOD JULY 1, 2006 THROUGH DECEMBER 31, 2007
(Continued)**

13. SUBSEQUENT EVENTS

As of June 30, 2008, the School had a bank balance of \$28,695. A summary of cash activity from December 31, 2007 through June 30, 2008 is as follows:

Cash Balance as of December 31, 2007	\$46,659
Refund Received on School Supplies	597
Interest Earned	8
Refund of Foundation Overpayment	(12,174)
Audit Fees	(3,737)
Treasurer Services	(2,500)
Legal Fees	(158)
Cash Balance as of June 30, 2008	<u>\$28,695</u>

When all remaining expenses have been paid by the School, the remaining bank balance is required to be remitted to the State Department of Education to be distributed to the resident school districts.



Mary Taylor, CPA

Auditor of State

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

Wright Early Childhood Community School
Greene County
306 E. Whittier Avenue
Fairborn, Ohio 45324

To the Board of Directors:

We have audited the financial statements of the Wright Early Childhood Community School, Greene County, (the School), as of and for the period July 1, 2006 through December 31, 2007, and have issued our report thereon dated July 9, 2008, wherein we noted the School prepared its financial statements on an accounting basis not in accordance with accounting principles generally accepted in the United States of America. We also noted that the School closed on June 30, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the School's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the School's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the School's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the School's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as item 2007-001.

We intend this report solely for the information and use of management, the School's sponsor, and Board of Directors. It is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

July 9, 2008

WRIGHT EARLY CHILDHOOD COMMUNITY SCHOOL
GREENE COUNTY

SCHEDULE OF FINDINGS
FOR PERIOD ENDED DECEMBER 31, 2007

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

FINDING NUMBER 2007-001

Noncompliance

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Administrative Code Section 117-2-03 (B) requires the School to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School prepared its financial report in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and footnotes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38 the School may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The School should take the necessary steps to provide that the annual report is prepared in accordance with generally accepted accounting principles.



Mary Taylor, CPA
Auditor of State

**WRIGHT EARLY CHILDHOOD COMMUNITY SCHOOL
GREENE 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
AUGUST 5, 2008**