WORLD OF WONDER ACCELERATED LEARNING
COMMUNITY SCHOOL
MONTGOMERY COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2001

JIM PETRO
AUDITOR OF STATE
STATE OF OHIO

WORLD OF WONDER ACCELERATED LEARNING COMMUNITY SCHOOL
MONTGOMERY COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Report of Independent Accountants	1
Balance Sheet As of June 30, 2001	3
Statement of Revenues, Expenses and Changes in Retained Earnings For the Year Ended June 30, 2001	4
Statement of Cash Flows For the Year Ended June 30, 2001	5
Notes to the Financial Statements	7
Report of Independent Accountants on Compliance and on Internal Control Required by *Government Auditing Standards*	19

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Governing Board:

We have audited the accompanying balance sheet of the World of Wonder Accelerated Learning Community School (the School), Montgomery County, as of June 30, 2001, 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 School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the World of Wonder Accelerated Learning Community School, Montgomery County, as of June 30, 2001, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2001 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.

Jim Petro
Auditor of State

December 12, 2001

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WORLD OF WONDER ACCELERATED LEARNING COMMUNITY SCHOOL
MONTGOMERY COUNTY

BALANCE SHEET
AS OF JUNE 30, 2001

Current Assets	
Cash and Cash Equivalents	$173,836
Investments	100,000
Receivables:	
Intergovernmental	67,757
Accrued Interest	3,103
Total Current Assets	344,696
Non-Current Assets	
Fixed Assets (net of accumulated depreciation)	77,631
Total Assets	422,327
Liabilities and Fund Equity	
Liabilities	
Accounts Payable	14,729
Accrued Wages Payable	32,007
Intergovernmental Payable	18,928
Compensated Absences Payable	51,956
Total Liabilities	117,620
Fund Equity	
Retained Earnings	304,707
Total Fund Equity	304,707
Total Liabilities and Fund Equity	$422,327

See Accompanying Notes to the Financial Statements

WORLD OF WONDER ACCELERATED LEARNING COMMUNITY SCHOOL
MONTGOMERY COUNTY

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS
FOR THE YEAR ENDED JUNE 30, 2001

Operating Revenues	
Foundation Payments	$1,014,992
Disadvantaged Pupil Impact Aid	363,373
Other	430
Total Operating Revenues	1,378,795
Operating Expenses	
Salaries	908,423
Fringe Benefits	220,514
Purchased Services	385,500
Materials and Supplies	50,881
Depreciation	8,959
Other	48,348
Total Operating Expenses	1,622,625
Operating Loss	(243,830)
Non-Operating Revenues	
Federal and State Subsidies	360,045
Interest	7,181
Contributions and Donations	78,782
Other	3,452
Total Non-Operating Revenues	449,460
Net Income	205,630
Retained Earnings at Beginning of Year	99,077
Retained Earnings at End of Year	$304,707

See Accompanying Notes to the Financial Statements

WORLD OF WONDER ACCELERATED LEARNING COMMUNITY SCHOOL
MONTGOMERY COUNTY

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2001

Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from State of Ohio	$1,395,545
Other Cash Receipts	430
Cash Payments to Employees for Services	(1,168,011)
Cash Payments to Suppliers for Goods and Services	(464,701)
Other Operating Expenses	(7,309)
Net Cash Used for Operating Activities	(244,046)
Cash Flows from Noncapital Financing Activities	
Federal and State Subsidies	292,288
Contributions and Donations	78,782
Other Non-Operating Cash Receipts	3,452
Net Cash Provided By Noncapital Financing Activities	374,522
Cash Flows from Capital and Related Financing Activities	
Acquisition of Capital Assets	(41,794)
Cash Flows from Investing Activities	
Purchase of Investments	(100,000)
Interest	4,077
Net Cash Used for Investing Activities	(95,923)
Net Decrease in Cash and Cash Equivalents	(7,241)
Cash and Cash Equivalents at Beginning of Year	181,077
Cash and Cash Equivalents at End of Year	$173,836

Reconcilation of Operating Loss to Net Cash Used for Operating Activities	
Operating Loss	($243,830)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities	
Operating Activities	
Depreciation	8,959
Changes in Assets and Liabilities	
Increase in Accounts Payable	12,719
Increase in Accrued Wages Payable	6,396
Decrease in Compensated Absences Payable	(46,734)
Increase in Intergovernmental Payable	18,444
Net Cash Used for Operating Activities	($244,046)

See Accompanying Notes to the Financial Statements

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 1 – DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

The World of Wonder Accelerated Learning Community School (the School) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in grades K through 3. 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 501c(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 through June 30, 2002. 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 $121,255 (see Note 11). The School has an agreement with the Sponsor for the School's food service program. The Sponsor administers the program and receives reimbursement directly from the Ohio Department of Education for the Nutrition Cluster federal program. These amounts have been recorded as on-behalf of receipts and payments in the accompanying financial statements.

The School operates under the direction of a six-member Governing Board (the Board). 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 Board controls the Schools' one instructional/support facility staffed by 3.75 non-certified and 18 certified full-time equivalent teaching personnel who provide instructional services to 244 students. A Principal and Business Manager/Treasurer handle administrative responsibilities.

The Board has entered into a consultant 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 fee of $21,000 annually.

NOTE 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 pubic 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.

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 liability are included on the balance sheet. Operating statements present increases (e.g.,revenues) and decreases (e.g.,expenses) in net total assets.

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

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

C. Budgetary Process

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

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

D. Cash and Cash Equivalents

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

G. Intergovernmental Revenues

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

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the school must provide local resources to be used for specific purpose, and expenditure requirements, in which the resources are provided to the school on a reimbursement basis.

The School also participates in the Charter School Grant Program through the Ohio Department of Education. Under this program, World of Wonder was awarded $50,000 for start-up expenses during fiscal year 2001. Revenue received from this program is recognized as non-operating revenue in the accompanying financial statements.

Amounts awarded under the above named programs for 2001 school year totaled $1,738,410.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Compensated Absences

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

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

I. Accrued Liabilities

Obligations incurred but unbilled prior to June 30, 2001, are reported as accrued liabilities in the accompanying financial statements.

NOTE 3 – DEPOSITS AND INVESTMENTS

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

Deposits: At fiscal year end the carrying amount of the School's deposits was $95,440 and the bank balance was $200,000. Of the bank balance, $100,000 was covered by federal depository insurance and $100,000 was uninsured and uncollateralized.

Investments: The School's investments are categorized below to give an indication of the level of risk assumed by the School at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School or its agent in the School's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School's name.
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The School's only investment at year end was a repurchase agreement. It is a Category 3 investment, with a carrying value and a fair value of $178,396.

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

NOTE 3 – DEPOSITS AND INVESTMENTS (Continued)

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

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement 9	$173,836	$100,000
Investments:		
Certificate of Deposit	100,000	(100,000)
Repurchase Agreement	(178,396)	178,396
GASB Statement 3	$95,440	$178,396

The following information is provided to help explain the GASB 3 and GASB 9 reconciliation. GASB 3 is concerned with the holding risk of the school's financial assets and GASB 9 is concerned with liquidity. Under GASB 9 certain financial resources are considered deposits and under GASB 3 certain resources are classified as investments.

As of June 30, the school held 2 certificates of deposit (CD's). One CD qualifies as a cash and cash equivalent (deposit) under GASB 3 and the other is classified as and investment under GASB 9. Further, the school also has a sweep account, whereby the ending bank balance is invested in an overnight repurchase agreement.

NOTE 4 – RECEIVABLES

Receivables at June 30, 2001, consisted of accrued interest and intergovernmental grants. All receivables are considered collectible in full.

A summary of intergovernmental receivables follows:

Title I	$60,061
Title VI	262
Drug Free	551
Class Reduction	6,883
Intergovernmental Receivables	$67,757

NOTE 5 – FIXED ASSETS

A summary of the School's fixed assets as of June 30, 2001, follows:

Furniture and equipment	$86,590
Less: Accumulated Depreciation	(8,959)
Net Fixed Assets	$77,631

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

NOTE 6 – RISK MANAGEMENT

A. Property and Liability

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2001, 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 Nationwide Insurance Company of $2,000,000 single occurrence and $5,000,000 aggregate. Settled claims have not exceeded this commercial coverage in any of the past two years. There has been no significant reduction in insurance coverage from last year.

B. Workers' Compensation

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

C. Employee Medical, Dental, and Vision Benefits

The School carries their medical insurance through a sub-contract with Dayton City School District. The School pays 80% of medical benefits for employees hired prior to April 1, 1993 and 75% for those employed April 1, 1993 and later. The employee is responsible for the remainder of premiums.

For fiscal year 2001, the annual cost of such coverage is $6,392 Family and $2,525 Single Coverage.

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 $602 for Family and $241 for Single Coverage.

NOTE 7 – DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 N. Fourth St., Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 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, 2001, and 2000 were $5,269 and $5,088, respectively. One hundred percent has been contributed for Fiscal 2001 and 100% for Fiscal Year 2000.

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 St., Columbus, Ohio, 43215-3371.

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The School was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For Fiscal Year 2000, the portion used to fund pension obligations was 6.0 percent. 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 years ended June 30, 2001, and 2000 were $73,117 and $37,332, respectively; 100 percent has been contributed for Fiscal Year 2001 and 100% for Fiscal Year 2000.

NOTE 8 – 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.

NOTE 8 – POST EMPLOYMENT BENEFITS (Continued)

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, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School, this amount equaled $34,634 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was $3.419 billion. For the year ended June 30, 2000, net health care costs paid by STRS were $283,137,000 and STRS had 99,011 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, 2001 employer contributions to fund health care benefits were 9.80 percent of covered payroll, an increase of 1.3 percent for fiscal year 2000. 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 2001, the minimum pay was established at $12,400. For the School's amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled $14,042.

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, 2000 (the latest information available), were $140,696,340 and the target level was $211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of $252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

NOTE 9 – EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave benefits 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:

NOTE 9 – EMPLOYEE BENEFITS (Continued)

A. Compensated Absences (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 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.

C. Health Care Benefits

The School provides life insurance and accidental death and dismemberment insurance to employees through Unum Life Insurance Company. The School 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 plan administered by United Dental Care and Mutual Health Services, the third party administrators.

NOTE 10 – STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 12, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

NOTE 11 – OPERATING LEASE

The School leases two School buildings from Dayton City School District (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 use of the buildings, 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 buildings. The lease payments totaled $121,255 for the fiscal year ended June 30, 2001. Of this total, $13,896 represented the contributions toward roof replacement.

On July 1, 2001, the lease was re-negotiated to a life of five years, July 1, 2001 through June 30, 2006, at a cost of $164,829 per fiscal year. This lease covers both School Buildings.

As of June 30, 2001, the School has paid $27,792 for the roof replacement. To date the roof has not been replaced. Instead of returning the money, the sponsor has agreed to include the use of additional building space (a gymnasium) as part of the amended agreement effective July 1, 2001. The gymnasium has 7,300 square feet.

NOTE 12 – CONTINGENCIES

A. Grants

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

B. State Funding

The Ohio Department of Education conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The results of this review could result in state funding being adjusted. The School does not anticipate any adjustments to state funding for fiscal year 2001, as a result of such a review.

C. Litigation

A suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging that Ohio's Community (i.e., Charter) Schools program violates the state Constitution and state laws. The effect of this suit, if any, on the School is not presently determinable.

NOTE 13 - PURCHASED SERVICES

During the year ended June 30, 2001, purchased service expenses for services rendered by various vendors were as follows:

Property Services	$127,005
Federal School Breakfast/ Lunch Program	112,890
Consulting Services- Student Screening and Therapy	43,670
Consulting Services - Training and Curriculum Development	21,000
Consulting Services- Technical Support	11,743
Student Services- After School Program	42,847
Data Processing Services (Computer consortium)	9,445
Travel/ Meeting Expenses	5,749
Communications	4,333
Pupil Transportation	3,037
Other	3,781
Total	$385,500

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STATE OF OHIO
OFFICE OF THE AUDITOR

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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 Governing Board:

We have audited the financial statements of World of Wonder Accelerated Learning Community School, Montgomery County, (the School), as of and for the year ended June 30, 2001, and have issued our report thereon dated December 12, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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 other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the School in a separate letter dated December 12, 2001.

This report is intended for the information and use of the audit committee, management, and the Governing 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 12, 2001

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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
FEBRUARY 19, 2002