



**Auditor of State  
Betty Montgomery**



**COLIN POWELL LEADERSHIP ACADEMY  
MONTGOMERY COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Balance Sheet - As of June 30, 2002 .....	3
Statement of Revenues, Expenditures, and Changes in Accumulated Deficits – For the Year Ended June 30, 2002.....	4
Statement of Cash Flows - For the Year Ended June 30, 2002 .....	5
Notes to the Financial Statements .....	6
Schedule of Federal Awards Expenditures.....	16
Notes to the Schedule of Federal Awards Expenditures .....	17
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	19
Independent Accountants' Report on Compliance with Requirements Applicable to the Major Federal Program and Internal Control Over Compliance in Accordance with OMB Circular A-133 .....	21
Schedule of Findings.....	23

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Colin Powel Leadership Academy Community School  
Montgomery County  
834 Randolph Street  
Dayton, Ohio 45408

To the Board of Governance:

We have audited the accompanying financial statements of the Colin Powell Leadership Academy Community School, Montgomery County, (the School), as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose 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 general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Colin Powell Leadership Academy Community School, Montgomery County, as of June 30, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the School will continue as a going concern. As shown in the financial statements, for the year ended June 30, 2002, the School had an operating loss in the amount of \$674,690, a working capital deficiency of \$70,710, and an accumulated deficit of \$26,468. Accordingly, there is substantial doubt about the School's ability to continue as a going concern. Management's plans in regards to this matter are described in Note 15. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2003 on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

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

**Betty Montgomery**  
Auditor of State

March 5, 2003

**COLIN POWELL LEADERSHIP ACADEMY  
MONTGOMERY COUNTY**

**BALANCE SHEET  
AS OF JUNE 30, 2002**

**ASSETS**

**Current Assets**

Cash	\$15,933
Intergovernmental Receivable	100,031
Total Current Assets	<u>115,964</u>

**Non-Current Assets**

Equipment	<u>44,242</u>
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**Total Assets**

160,206

**LIABILITIES AND EQUITY**

**Current Liabilities**

Accounts Payable	49,322
Accrued Wages and Benefits Payable	55,641
Intergovernmental Payable	28,875
Other Accrued Liabilities	52,836
Total Current Liabilities	<u>186,674</u>

**Accumulated Deficit**

(26,468)

**Total Liabilities and Fund Equity**

\$160,206

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

**COLIN POWELL LEADERSHIP ACADEMY  
MONTGOMERY COUNTY**

**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN ACCUMULATED DEFICITS  
FOR THE YEAR ENDED JUNE 30, 2002**

<b>Operating Revenues</b>	
Food Service Sales	\$1,889
Other Revenues	11,484
Foundation Payments	980,987
DPIA Payments	<u>257,202</u>
 Total Operating Revenues	 <u>1,251,562</u>
 <b>Operating Expenses</b>	
Salaries	729,244
Fringe Benefits	198,374
Purchased Services	736,773
Materials and Supplies	226,770
Other Operating Expenses	<u>35,191</u>
 Total Operating Expenses	 <u>1,926,352</u>
 <b>Operating Loss</b>	 <u>(674,790)</u>
 <b>Non-Operating Revenues</b>	
Interest	1,418
Federal Grants	383,340
State Grants	7,675
Private Grants	212,232
Gifts and Donations	<u>33,615</u>
 Total Non-Operating Revenues	 <u>638,280</u>
 <b>Net Loss</b>	 <u>(36,510)</u>
 Retained Earnings at Beginning of Year	 <u>10,042</u>
 <b>Accumulated Deficit at End of Year</b>	 <u><u>(\$26,468)</u></u>

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



**COLIN POWELL LEADERSHIP ACADEMY  
MONTGOMERY COUNTY**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2002**

**Increase in Cash**

**Cash Flows Provided By Operating Activities**

Cash Received from Sales	\$1,889
Cash Provided by State of Ohio	1,238,189
Other Cash Receipts	11,484
Cash Payments To Suppliers for Goods and Services	(861,385)
Cash Payments for Employee Services	(855,644)
Other Cash Payments	(22,649)
Net Cash Provided By (Used For) Operating Activities	<u>(488,116)</u>

**Cash Flows Provided By Noncapital Financing Activities**

Cash Provided By Private Grants	212,232
Cash Provided By Federal Grants	284,984
Cash Provided By State Grants	6,000
Cash Received from Contribution & Donations	33,615
Net Cash Provided by Noncapital Financing Activities	<u>536,831</u>

**Cash Flows from Investing Activities**

Interest on Investments	<u>1,418</u>
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**Cash Flows Provided By Capital and Related Financing Activities**

Cash Used For Acquisition of Capital Assets	<u>(44,242)</u>
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Net Increase in Cash	5,891
Cash at Beginning of Year	<u>10,042</u>
Cash at End of Year	<u><u>15,933</u></u>

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

Operating Loss	(674,790)
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**Change in Assets and Liabilities**

Increase in Accounts Payable	49,322
Increase in Accrued Wages and Benefits Payable	55,641
Increase in Intergovernmental Payable	28,875
Increase in Other Accrued Liabilities	52,836
Total Adjustments	<u>186,674</u>

Net Cash Used For Operating Activities	<u><u>(\$488,116)</u></u>
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*The accompanying notes to the financial statements are an integral part of this statement.*

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**COLIN POWELL LEADERSHIP ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002**

**1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY**

The Colin Powell Leadership Academy School (the "School") is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in grades K through 6. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed and contract for any services necessary for the operation of the school.

The School is a non-profit organization that has been determined by the Internal Revenue Service to be exempt from federal income taxes as a tax exempt organization under Section 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 on June 21, 2001 under contract with the State Board of Education (the Sponsor) for a period of five years. The School operates under the direction of a nine-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 facility staffed by 17 non-certified and 15 certified full-time equivalent teaching personnel who provide instructional services to 210 students. A Superintendent, Business Manager and Treasurer handle administrative responsibilities.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the school have been prepared in conformity with generally accepted accounting principles (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**

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.

**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.

**COLIN POWELL LEADERSHIP ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

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

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

**D. Cash and Cash Equivalents**

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

**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 vehicles, furniture and equipment is computed using the straight-line method over an estimated useful life of five years. The school does not take depreciation in the year of acquisition. Improvements to fixed assets are depreciated over the remaining useful lives of the related fixed assets.

**COLIN POWELL LEADERSHIP ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**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 all eligibility requirements have been met, providing the resources are available. 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 you use in 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, the School was awarded \$200,000 during the 2002 fiscal year.

**H. Accrued Liabilities**

Obligations incurred but unbilled prior to June 30, 2002, are reported as accrued liabilities in the accompanying financial statements.

**3. ACCOUNTABILITY**

For fiscal year 2002, the School was not in compliance with the following state and federal requirements: Auditor of State Bulletin 2000-05 for not having a fiscal funding or cancellation clause included a lease agreement, Article IV of the School's bylaws for not having a non-voting teacher appointed to the Board, Ohio Department of Education Guidelines and Ohio Rev. Code § 3314.03 (A)(11)(g) by not filing an annual report of school activities, and 20 USC 8064(f)(3) addressing questioned costs associated with a federal program.

**4. 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 June 30, 2002, the carrying amount of the School's deposits was \$15,933 and the bank balance was \$82,128, all of which was covered by federal depository insurance.

**COLIN POWELL LEADERSHIP ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**5. RECEIVABLES**

Receivables at June 30, 2002, consisted of intergovernmental grants. All receivables are considered collectible in full.

A summary of intergovernmental receivables follows:

Title I	\$81,130
Title VI	823
Title VI-R	1,100
Title II	562
SchoolNet Professional Development	1,675
School Lunch	<u>14,741</u>
Total	<u>\$100,031</u>

**6. FIXED ASSETS**

A summary of the School's fixed assets at June 30, 2002, follows:

Furniture and Equipment	\$41,642
Vehicles	<u>2,600</u>
Net Fixed Assets	<u>\$44,242</u>

**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. Buildings and contents are covered under Westfield Insurance Company \$1000 deductible. Electronic data processing equipment is covered under Westfield Insurance Company with a \$1,000 deductible. Colin Powell School carries liability insurance with Westfield Insurance Company of \$1,000,000 single occurrence and \$2,000,000 aggregate. Settled claims have not exceeded this commercial coverage in FY 2002.

**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.

**COLIN POWELL LEADERSHIP ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**8. DEFINED BENEFIT PENSION PLANS**

**A. School Employees Retirement System**

The School District 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 State Statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 E. Broad St., Columbus, Ohio 43215-3746.

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 2002, 5.46 percent of annual covered salary was the portion used to fund pension obligations. For Fiscal Year 2001, 4.2 per cent was used to fund pension obligations.

The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School's required contributions for pension obligations to SERS for the fiscal year ended June 30, 2002, was \$15,614. One hundred percent has been contributed.

**B. State Teachers Retirement System**

The School contributes to the State Teacher's 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 State Statute per 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 Teacher Teachers Retirement System, 275 East Broad St., Columbus, Ohio 43215-3371.

For the fiscal year ended June 30, 2002, 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. 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, 2002 was \$ 38,894, One hundred percent has been contributed.

**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.

**COLIN POWELL LEADERSHIP ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**9. 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, 2002, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$ 18,423 for Fiscal Year 2002.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2002, (the latest information available) the balance in the Fund was \$ 3.011 billion. For the year ended June 30, 2002, net health care costs paid by STRS were \$ 354,697,000 and STRS had 105,300 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989 with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2002 employer contributions to fund health care benefits were 8.54 percent of covered payroll, a decrease of 1.26 per cent from Fiscal Year 2001. 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 2002, the minimum pay was established at \$12,400. For the School's amount contributed to fund health care benefits, including the surcharge, during the 2002 fiscal year equaled \$26,929.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2002 (the latest information available), were \$182,946,777 and the target level was \$274.4 million. At June 30, 2002 SERS had net assets available for payment of health care benefits of \$335.2 million. SERS has approximately 50,000 participants currently receiving health care benefits.

**10. EMPLOYEE BENEFITS**

**A. Compensated Absences**

The criteria for determining of sick leave components are derived from Governing Board Policy and employees do not earn vacation time.

Teachers, administrators, and classified employees are granted sick leave in the amount of 5 days per year, however any accumulated sick leave may not be carried over to the next year.



**COLIN POWELL LEADERSHIP ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**10. EMPLOYEE BENEFITS (Continued)**

**B. Health Care Benefits**

The District provides life insurance and accidental death and dismemberment insurance to employees through United Life Insurance Company. The District provides health insurance coverage through United Health Care of Ohio, Inc. Employee share of the total premium amounts to 10% of the annual policy. Said policy varies according the age and number of dependents on the employee's policy. Dental insurance is provided to aid eligible employees through a plan administered by Superior Dental Care.

**11. STATE SCHOOL FUNDING DECISION**

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

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

**12. LEASES**

The School leases the school building under a 60 month lease. The lease started on September 1, 2001 and will end August 30, 2006. The lease payments are \$17,612 per month. Total rental payments for this lease of the building for FY 2002 were \$176,120 of which \$123,284 was paid during the fiscal year. The remaining \$52,836 has been included in other accrued liabilities on the balance sheet; for FY 2003 through FY 2007, rental payments are listed below:

The School leases real estate under a one year operating lease with a renewal option for four more periods of one year each. The 1<sup>st</sup> year operating lease started on September 1, 2001, and expires on September 30, 2002, and each renewal will follow the same start and end dates respectively. Each year, rent will be increased by no less than \$1,000. The actual increases are unknown. It is assumed that the school will renew the lease for each of the four renewal periods since the school building is being leased for five years. Total rental payments for the lease of the land for FY 2002 were \$8,000; for FY 2003 through FY 2007, rental payments are as follows:

<u>Fiscal Year</u>	<u>Building</u>	<u>Land</u>	<u>Total</u>
2003	\$211,344	\$9,500	\$220,844
2004	211,344	10,500	221,844
2005	211,344	11,500	222,844
2006	211,344	12,500	223,844
2007	35,224	1,000	36,224
Total minimum lease payments			<u>\$925,600</u>

**13. BEGINNING BALANCE**

The School received various revenues, including state start-up funds, of \$75,053, and made various expenditures, totaling \$65,011, associated with starting operations prior to July 1, 2001. The balance of those monies was \$10, 042.

**COLIN POWELL LEADERSHIP ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**14. CONTINGENCIES**

**A. Grants**

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

**B. State Funding**

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to insure the schools are reporting accurate student enrollment data to the state, upon which State foundation funding is calculated. During the fiscal year ended June 30, 2002, the School billed the state of Ohio in excess of the amounts due to them based on an estimated number of pupils the School expected for the year. The amount outstanding at June 30, 2002 was \$12,542 and is reported as an intergovernmental payable. The School is to repay the state of Ohio with monthly deductions from fiscal year 2003 foundation payments beginning with the February 2003 foundation payments.

**C. Litigation**

A suit was filed in Franklin County Common Pleas Court on May 14, 2001, alleging that Ohio Community (IE Charter) Schools Program violates the State Constitution and State Laws. The effect of this suit, if any, on the school is not presently determinable.

The School is party to a legal proceeding. The School is of the opinion that ultimate disposition of the claim will not have a material effect, if any, on the financial condition of the School.

**15. MANAGEMENT'S PLANS REGARDING ACCUMULATED DEFICIT**

Management plans to eliminate the deficit by continuing the financial policies that it implemented during the fiscal year. In addition, the School will finish repaying the abovementioned overpayments to the State through reductions in foundation payments, and will begin investigating other sources of revenue to supplement state and federal subsidies, such as increasing enrollment, and has reduced staffing levels.

**16. PURCHASED SERVICES**

For the Fiscal Year ended June 30, 2002 purchased service expenses for services rendered by various vendors were as follows:

Professional & Technical Services	\$ 14,801
Property Services	503,820
Travel Mileage / Meeting Expense	13,054
Communications	33,894
Utilities: Water & Sewer	326
Pupil Transportation Services	1,260
Other Purchased Services	<u>169,618</u>
Total	<u>\$736,773</u>

**COLIN POWELL LEADERSHIP ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
JUNE 30, 2002  
(Continued)**

**17. RELATED PARTIES**

**KIDS2000**

The School contracted with KIDS2000 to perform tutoring, mentoring and extended education services. Two members of KIDS 2000 also serve on the School's Board. Total payments made for these services during the year ended June 30, 2002 was \$79,897.

**COLIN POWELL LEADERSHIP ACADEMY  
MONTGOMERY COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 2002**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Disbursements</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Education:</i>				
Nutrition Cluster:				
School Breakfast Program	05-PU-01	10.553	\$577	\$577
	05-PU-02	10.553	20,477	24,343
Total School Breakfast Program			21,054	24,920
National School Lunch Program	LLP4 01	10.555	1,125	1,125
	LLP4 02	10.555	41,610	52,475
Total National School Lunch Program			42,735	53,600
Total U.S. Department of Agriculture - Nutrition Cluster			63,789	78,520
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education:</i>				
Grants to Local Educational Agencies (ESEA Title I)	C1-S1-02	84.010	17,809	28,066
Innovative Educational Program Strategies	C2-S1-02	84.298	336	
Title II Eisenhower Professional Development	MS-S1-02	84.281	2,106	
Title VI R Class Size Reduction	CR-S1-02	84.340	431	
Public Charter Schools Program - Start - Up (Title X, Part C of the ESEA)	CH-S1-02	84.282	200,000	200,000
Total Department of Education			220,682	228,066
<b>Totals</b>			<b>\$284,471</b>	<b>\$306,586</b>

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

**COLIN POWELL LEADERSHIP ACADEMY  
MONTGOMERY COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES  
FISCAL YEAR ENDED JUNE 30, 2002**

**NOTE A -- SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B -- NUTRITION CLUSTER**

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

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## **Auditor of State Betty Montgomery**

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

Colin Powel Leadership Academy Community School  
Montgomery County  
834 Randolph Street  
Dayton, Ohio 45408

To the Board of Governance:

We have audited the financial statements of the Colin Powell Leadership Academy Community School (the School) as of and for the year ended June 30, 2002, and have issued our report thereon dated March 5, 2003 wherein we noted the School has suffered losses from operations and has a net accumulated deficit that raises substantial doubt about its ability to continue as a going concern. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2002-10357-001 through 2002-10357-002. We also noted an immaterial instance of noncompliance that we have reported to management of the School in a separate letter dated March 5, 2003.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the School's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2001-10357-003.

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above as item 2001-10357-003 is also considered to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reporting to the management of the Village in a separate letter dated March 5, 2003.

This report is intended for the information and use of the audit committee, management, Board of Governance, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

March 5, 2003





**Auditor of State  
Betty Montgomery**

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

Colin Powel Leadership Academy Community School  
Montgomery County  
834 Randolph Street  
Dayton, Ohio 45408

To the Board of Governance:

**Compliance**

We have audited the compliance of Colin Powell Leadership Academy Community School (the School) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2002. The School's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School's management. Our responsibility is to express an opinion on the School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the School's compliance with those requirements.

In our opinion, the School complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2002. However, the results of our auditing procedures disclosed certain instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2002-10357-004 and 2002-10357-005.

**Internal Control Over Compliance  
(Continued)**

The management of the School is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the School's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

This report is intended for the information and use of the audit committee, management, Board of Governance, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

March 5, 2003

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 §.505**

**COLIN POWELL LEADERSHIP ACADEMY COMMUNITY SCHOOL  
MONTGOMERY COUNTY  
JUNE 30, 2002**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Public Charter Schools Program - Start-Up: CFDA # 84.282
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

**COLIN POWELL LEADERSHIP ACADEMY COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2002  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2002-10357-001**

**Auditor of State Bulletin 2000-05** states that lease agreements which extend beyond the current fiscal year should contain a fiscal funding or cancellation clause. Such a clause permits the community school to terminate the agreement on an annual basis if funds are not available to make required payments. The School's lease for the school building was for a period of sixty months, but did not contain the required fiscal funding or cancellation clause. The lack of this clause may result in the District being obligated for a lease without a means of payment and/or a means of cancellation.

The School should amend the lease to comply with the requirement above and implement policies to prevent entering into any other lease agreements that do not include the required clause.

**FINDING NUMBER 2002-10357-002**

**Article IV of the School's Bylaws** states "the Colin Powell Leadership Academy Community School Governing Authority (the Board) will be comprised of 9 trustees from whom four officers will be elected. The Board shall fix the exact number of Directors, within these limits, by Board resolution or amendment of the Bylaws at its annual meeting. The membership of the Board shall be leaders from the broad range of disciplines representing professionals, community leaders, and a parent. In addition, a teacher will be selected as a non-voting member."

The Board is comprised of 10 members plus the CEO. There was no member designated as the non-voting teacher. The School should appoint a non-voting teacher to the Board to comply with the Bylaws.

**FINDING NUMBER 2002-10357-003**

The School ended the year with an accumulated deficit of \$26,468, which is a result of expenses exceeding revenues. The continued practice of excess spending could affect the School's ability to provide future services to its students and to meet all of its other obligations.

The School should develop policies and procedures to estimate revenues during the year and monitor that expenses are within those estimated amounts. Additional revenue sources may be necessary for continued operations and should be pursued as available and within legal guidelines. These activities should be monitored by the Board and be part of its routine functions.

See finding # 2002-10357-004 below, which is also required to be reported in accordance with GAGAS.

**COLIN POWELL LEADERSHIP ACADEMY COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2002**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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<b>Finding Number</b>	2002-10357-004
<b>CFDA Title and Number</b>	CFDA # 84.282 – Public Charter Schools Program
<b>Federal Award Number / Year</b>	CH-S1-02
<b>Federal Agency</b>	Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Activity Report**

**Ohio Rev. Code Section 3314.03(A)(11)(g)** requires community school governing authorities to submit an annual report of its activities and its financial status to the sponsor, the parents of all students enrolled in the school, and the legislative office of education oversight. This report is to be submitted with the Office of Community Schools 60 days after the end of the fiscal year. This requirement is also included in the Ohio Department of Education's **Federal Sub-grant For Community Schools Guidelines and Application** in the section titled, End of Year Reports.

The School did not file its annual report of activities and progress and its financial status to the sponsor, the parents of all students enrolled in the school, and the legislative office of education oversight.

The School should file the required report of school activities at the close of the fiscal year.

<b>Finding Number</b>	2002-10357-005
<b>CFDA Title and Number</b>	CFDA # 84.282 – Public Charter Schools Program
<b>Federal Award Number / Year</b>	CH-S1-02
<b>Federal Agency</b>	Department of Education
<b>Pass-Through Agency</b>	Ohio Department of Education

**Grant Disbursement**

**The Ohio Department of Education Guidelines and Application** has designated this program as a non-construction grant program. Therefore, building renovations must be limited to items required to the building up to federal, state, and local municipal codes for a school facility and/ or items required to bring the building into compliance with the Americans with Disabilities Act. The School used the funds to erect a leased building, resulting in question costs in the amount of \$159,972 for not complying with the requirement above.

The School should review all grant agreements and budgets, and monitor expenditures to avoid disbursing grant monies on unallowed activities to avoid the loss of future grant funding.





**Auditor of State  
Betty Montgomery**

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**COLIN POWELL LEADERSHIP ACADEMY COMMUNITY SCHOOL  
MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 3, 2003**