



**Auditor of State
Betty Montgomery**

COLIN POWELL LEADERSHIP ACADEMY
MONTGOMERY COUNTY

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Colin Powell Leadership Academy
Montgomery County
834 Randolph Street
Dayton, Ohio 45408

To the Board of Governance:

We have audited the accompanying financial statements of Colin Powell Leadership Academy, Montgomery County, (the School), as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements base 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 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 generally accepted accounting principles. However, as discussed in Note 2, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State of Ohio for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-modified cash basis of the School, as of June 30, 2004, and the respective changes in financial position-modified cash basis thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2005, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. 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.

Management's discussion and analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State of Ohio

March 3, 2005

**COLIN POWELL LEADERSHIP ACADEMY
MONTGOMERY COUNTY**

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

The discussion and analysis of the Colin Powell Leadership Academy's financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

Key financial highlights for the fiscal year 2004 are as follows:

- Total net assets decreased \$18,097.
- Total receipts were \$2,166,295 of which \$1,616,574 or 75% were operating receipts.
- The School District had \$2,184,392 in disbursements.

Using this Annual Financial Report

This annual report consists of three parts, the MD&A, the basic financial statements, and the notes to those statements. These statements are organized so the reader can understand the Colin Powell Leadership Academy School as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions. Since the School only uses one fund for its operations, the entity wide and the fund presentation information is the same.

The Statement of Net Assets - Cash Basis and the Statement of Cash Receipts, Disbursements and Changes in Net Assets – Cash Basis provide information about the activities of the whole School, presenting both an aggregate view of the School's finances and a short-term view of those finances.

Table 1 provides a summary of the School District's net assets for 2004 compared to 2003.

**Table 1
Net Assets - Cash Basis**

	<u>2004</u>	<u>2003</u>
Assets		
Equity in Pooled Cash and Cash Equivalents	<u>\$14,719</u>	<u>\$32,816</u>
Net Assets		
Unrestricted	<u>14,719</u>	<u>32,816</u>

**COLIN POWELL LEADERSHIP ACADEMY
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

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

	<u>2004</u>	<u>2003</u>
Operating Receipts		
Extracurricular and Lunchroom Sales	\$22,165	\$2,806
Foundation Payments	1,591,132	1,402,410
Other Revenues	3,277	13,629
Total Operating Revenues	<u>1,616,574</u>	<u>1,418,845</u>
Operating Disbursements		
Salaries	780,020	840,370
Fringe Benefits	229,071	205,485
Purchases Services	644,109	353,645
Materials and Supplies	237,170	153,911
Capital Outlay	232,297	290,417
Other	61,725	64,061
Total Disbursements	<u>2,184,392</u>	<u>1,907,889</u>
Excess of Receipts Under Disbursements	<u>(567,818)</u>	<u>(489,044)</u>
Non-Operating Receipts		
Federal and State Grants	519,039	456,870
Interest	612	699
Gifts and Donations	30,070	48,359
Total Non-Operating Receipts	<u>549,721</u>	<u>505,928</u>
Change in Net Assets	(18,097)	16,884
Net Assets Beginning of Year	<u>32,816</u>	<u>15,932</u>
Net Assets End of Year	<u><u>\$14,719</u></u>	<u><u>\$32,816</u></u>

There was an increase in revenues of \$241,522 and an increase of expenses of \$276,503 from fiscal year 2003. Net assets decreased from fiscal year 2003 to fiscal year 2004, by \$18,097. The decrease in net assets was due to federal funds being cut by \$100,000 for fiscal year 2004 due to inaccurate reporting of the number of low income students for fiscal year 2003, and the DPIA adjustment for fiscal year 2004 in the amount of \$63,138 not being received until July of 2005.

**COLIN POWELL LEADERSHIP ACADEMY
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

Current Issues

For fiscal year 2004, cash receipts were \$18,097 less than disbursements. It is essential that the Governing Board and Administration keep staff in proportion to actual enrollment and Charter parameters. In addition, the Administration is changing the purchasing process by requiring a signed purchase order by the Administrator and Treasurer prior to the actual purchase.

Contacting the School District's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Phyllis J. Bixler, Treasurer, Colin Powell Leadership Academy, 834 Randolph Street, Dayton, Ohio 45408, or e-mail at ww_treas@mdeca.org.

COLIN POWELL LEADERSHIP ACADEMY
MONTGOMERY COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
JUNE 30, 2004

Current Assets:

Equity in Pooled Cash and Cash Equivalents	<u>\$14,719</u>
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Net Assets

Unrestricted	<u>\$14,719</u>
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See accompanying notes to the financial statements

**COLIN POWELL LEADERSHIP ACADEMY
MONTGOMERY COUNTY**

**STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS AND CHANGES IN NET ASSETS - CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

Operating Receipts	
Sales	\$22,165
Foundation Payments	1,379,693
Disadvantage Pupil Impact Aid	211,439
Other Revenues	3,277
	<hr/>
<i>Total Operating Receipts</i>	1,616,574
	<hr/>
Operating Disbursements	
Salaries	780,020
Fringe Benefits	229,071
Purchased Services	644,109
Materials and Supplies	237,170
Capital Outlay	232,297
Other	61,725
	<hr/>
<i>Total Operating Disbursements</i>	2,184,392
	<hr/>
<i>Excess of Receipts Under Disbursements</i>	(567,818)
	<hr/>
Non-Operating Receipts	
Federal and State Grants	519,039
Interest	612
Gifts and Donations	30,070
	<hr/>
<i>Total Non-Operating Receipts</i>	549,721
	<hr/>
<i>Change in Net Assets</i>	(18,097)
	<hr/>
<i>Net Assets Beginning of Year</i>	32,816
	<hr/>
<i>Net Assets End of Year</i>	\$14,719
	<hr/> <hr/>

See accompanying notes to the financial statements.

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**COLIN POWELL LEADERSHIP ACADEMY
MONTGOMERY COUNTY**

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

1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

The Colin Powell Leadership Academy is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3314 and 1702 to address the needs of students in grades K through 7. The School, which is part of the State's education program, is independent of any school district and is nonsectarian in its programs, admission policies, employment practices, and all other operations. The School may sue and be sued, acquire facilities as needed and contract for any services necessary for the operation of the school.

The School is a non-profit organization that has been determined by the Internal Revenue Service to be exempt from federal income taxes as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code. Management is not aware of any course of action or series of events that have occurred that might adversely affect the school's tax exempt status.

The School was approved for operation under contract with the State Board of Education (the Sponsor) for a period of five years. The School operates under the direction of an eleven-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 7 non-certified and 15 certified full-time equivalent teaching personnel who provide instructional services to 266 students. A Superintendent, Business Manager and Treasurer handle administrative responsibilities. The School contracted with Kids 2000 to perform tutoring, mentoring and extended educational services. One member of Kids 2000 also serves on the School's Governing Board. The School has also entered into a land lease agreement with the Dayton Boys and Girls Club. The Executive Director of this Organization also sits on the School's Governing Board. In addition, non-payroll related payments were made to the CEO and COO of the School. Such related party transactions will be further discussed in Note 9 to the basic financial statements. The School is also associated with the Metropolitan Dayton Education Computer Association. It is a computer Consortium of area schools sharing computer resources. This organization is presented in Note 10 to the basic financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Although Ohio Administrative Code Section 117-2-03 (B) requires the District's financial report to follow generally accepted accounting principles, the District chooses to prepare its financial statements and notes in accordance with the modified cash-basis of accounting.

This basis of accounting is similar to the cash receipts and disbursements basis. 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

The School's basic financial statements consist of a statement of net assets – cash basis and a statement of cash receipts, disbursements and changes in net assets – cash basis.

Enterprise fund reporting focuses on the determination of the change in net assets and financial position.

**COLIN POWELL LEADERSHIP ACADEMY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Cash and Cash Equivalents

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

C. Inventory and Prepaid Items

On the modified cash-basis of accounting, inventories of supplies and food service items are reported as disbursements when purchased.

D. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. The financial statements do not report these assets.

E. Compensated Absences

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the School's modified-cash basis of accounting.

F. Budgetary

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the School and its sponsor. The contract between the School and its Sponsor does not prescribe a budgetary process for the School; therefore no budgetary information is presented in the financial statements.

3. DEPOSITS AND INVESTMENTS

A. Deposits:

At fiscal year end, the carrying amount of the School's deposits was \$14,719, and the bank balance was \$28,772. All of the bank balance was covered by federal depository insurance.

B. Investments:

The School did not have any investments.

4. 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 with a \$1,000 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 the last three fiscal years.

**COLIN POWELL LEADERSHIP ACADEMY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

4. RISK MANAGEMENT (Continued)

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.

5. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School contributes to the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School is required to contribute at an actuarially determined rate. The current School rate is 14 percent of annual covered payroll. A portion of the School's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003, and 2002 were \$19,440, \$18,672, and \$15,614 respectively; 100 percent has been contributed for fiscal year 2004, 2003 and 2002.

B. State Teachers Retirement System of Ohio

The School participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling (614) 227-4090, or by visiting the STRS Ohio website at www.strsoh.org.

**COLIN POWELL LEADERSHIP ACADEMY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

5. DEFINED BENEFIT PENSION PLANS (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 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.

For the fiscal year ended June 30, 2004, plan members were required to contribute 9.3 percent of their annual covered salaries. The School was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2003, the portion used to fund pension obligations was 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's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2004, 2003, and 2002 were \$73,273, \$55,354, and \$38,894 respectively; 100 percent has been contributed for fiscal year 2004, 2003, and 2002.

6. POSTEMPLOYMENT BENEFITS

The School provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio (STRS Ohio), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

**COLIN POWELL LEADERSHIP ACADEMY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

6. POSTEMPLOYMENT BENEFITS (Continued)

All retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the fiscal year ended June 30, 2003, the STRS Ohio Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Stabilization Fund. For the School, this amount equaled 5,636 for fiscal year 2004.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and STRS Ohio had 111,853 eligible benefit recipients.

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004 employer contributions to fund health care benefits were 4.91 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, prorated for partial service credit. For fiscal year 2004, the minimum pay was established at \$25,400. For the School's amount contributed to fund health care benefits, including the surcharge, during the 2004 fiscal year equaled \$15,278.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004 SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

7. 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 fiscal year 2004 were \$211,344. For fiscal year 2005 through fiscal year 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 first year operating lease started on September 1, 2001 and expired on August 31, 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 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 2004 were \$12,400. For fiscal year 2005 through 2007 minimum rental payments are as follows:

**COLIN POWELL LEADERSHIP ACADEMY
MONTGOMERY COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

7. LEASES (Continued)

<u>Fiscal Year</u>	<u>Building</u>	<u>Land</u>	<u>Total</u>
2005	\$211,344	\$11,500	\$222,844
2006	211,344	12,500	223,844
2007	35,224	1,000	36,224
Total	<u>\$457,912</u>	<u>\$25,000</u>	<u>\$482,912</u>

8. 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. The School was overpaid by \$30,884 as of June 30, 2004.

C. Litigation

A suit was filed in Franklin County common Pleas Court on May 14, 2001 alleging Ohio's Community (i.e., Charter) School's program violates the state Constitution and State laws. On April 21, 2003, the court dismissed the counts containing constitutional claims and stayed the other counts pending appeal of the constitutional issues. The plaintiffs appealed to the Court of Appeals, the issues have been briefed and the case was heard on November 18, 2003. On August 24, 2004, the Court of Appeals rendered a decision that Community Schools are part of the State public educational system and this matter was sent to the Ohio Supreme Court. The effect of this suit, if any on the Colin Powell Leadership Academy School is not presently determinable.

9. RELATED PARTY TRANSACTIONS

A. Kids 2000

The School contracted with Kids 2000 to perform tutoring, mentoring and extended educational services. One member of Kids 2000 also serves on the School's Governing Board. Total payments made for these services during the fiscal year ended June 30, 2004 were \$307,745.

B. Boys and Girls Club

The School has entered into a Land Lease Agreement with the Dayton Boys and Girls Club. Further information regarding the land lease is available in Note 7.

**COLIN POWELL LEADERSHIP ACADEMY
MONTGOMERY COUNTY**

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

10. JOINTLY GOVERNED ORGANIZATION

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

The governing board of MDECA consists of seven Superintendents of member school districts, with six of the Superintendents elected by majority vote of all member school districts except Montgomery County Educational Service Center. The seventh Superintendent is from the Montgomery County Educational Service Center. The School paid MDECA \$4,682 for services provided during the fiscal year. Financial information can be obtained from Jerry Woodyard, who serves as director, at 225 Linwood Street, Dayton, Ohio 45405.

11. PURCHASED SERVICES

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

Contractual Services	\$300,623
Rent	206,132
Building Maintenance and Utilities	115,472
Food Service	<u>21,882</u>
Total	<u><u>\$644,109</u></u>

12. NONCOMPLIANCE

The School did not comply with requirements regarding preparation of its annual report in accordance with generally accepted accounting principles, cancellation clause in a lease, or maintenance of asset records.

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Auditor of State Betty Montgomery

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

Colin Powell Leadership Academy
Montgomery County
834 Randolph Street
Dayton, Ohio 45408

To the Board of Governance:

We have audited the financial statements of Colin Powell Leadership Academy, Montgomery County, (the School), as of and for the year ended June 30, 2004, and have issued our report thereon dated March 3, 2005, wherein we noted that the School implemented the modified cash accounting basis for financial reporting rather than generally accepted accounting principles. 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 misstatements, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect 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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 through 2004-003. We also noted an immaterial instance of noncompliance that we have reported to the School's management in a separate letter dated March 3, 2005.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to the School's management in a separate letter dated March 3, 2005.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

Colin Powell Leadership academy
Independent Accountants' Report on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State of Ohio

March 3, 2005

COLIN POWELL LEADERSHIP ACADEMY
MONTGOMERY COUNTY

SCHEDULE OF FINDINGS
JUNE 30, 2004

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

FINDING NUMBER 2004-001

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. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Admin Code section 117-2-03 (B) requires the School to prepare and file its annual financial report in accordance with generally accepted accounting principles (GAAP). However, for the fiscal year ended June 30, 2004, the School prepared its financial statements in accordance with standards established by the Auditor of State of Ohio for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements 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 develop and implement procedures to prepare its financial statements in accordance with generally accepted accounting principles.

FINDING NUMBER 2004-002

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 School being obligated for a lease without a means of payment.

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 2004-003

34 Code of Federal Regulations (CFR) 80.32 requires Local Educational Agencies to follow State laws and procedures for equipment acquired under a sub grant from a State. The Ohio Department of Education has adopted the general requirements of the agency codification of the A-102 Common Rule and has imposed those requirements on its sub recipients.

In pertinent part the agency codification of the A-102 Common Rule provides that:

Equipment should be used in the program which acquired it or, when appropriate, other Federal programs. Equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained. When equipment with a current per unit fair market value in excess of \$5,000 is no longer needed for a Federal program, it may be retained or sold with the Federal agency having a right to a proportionate (percent of Federal participation in the cost of the original project) amount of the current fair market value. Proper sales procedures shall be used that provide for competition to the extent practicable and result in the highest possible return. (34 CFR 80.32)

**FINDING NUMBER 2004-003
(Continued)**

The School's Board approved fixed asset policy stated the following information shall be maintained for all fixed assets:

- Description and/ or I.D. number,
- Purchase price or historical cost and date acquired ,
- Estimated useful life and salvage value,
- Replacement cost,
- Accumulated depreciation,
- Method of acquisition,
- Manner of disposal,
- Whether asset is covered by maintenance agreement.

A complete fixed asset listing, including all required information, was not maintained. The fixed asset listing had not been updated to include all equipment purchased in fiscal year 2004. Further, the fixed asset policy stated the purchase and disposal of fixed assets shall be initiated by the Director or his/her designee and required notifying the Treasurer of such. Additionally, the School did not list fund numbers or federal program numbers on its fixed asset inventory list. Since equipment purchased with federal funds can not be identified, this could result in federal equipment not being used for an appropriate program or being disposed of without following the above rule.

The schools fixed asset policy designated the Treasurer as asset manager, who was responsible for the development and maintenance of the fixed asset accounting system, The Treasurer should create and maintain a detailed fixed asset listing, including the above mentioned required information, and the location of the fixed asset and fund they were purchased from. All assets over the threshold established in the fixed asset policy (\$500) should be tagged to provide greater control over fixed assets, addition/disposal forms should be utilized to notify the Treasurer of fixed asset changes, and procedures should be implemented to provide for the security of fixed assets. Finally, periodic physical inventories should be performed and reconciled to the fixed asst records.

**COLIN POWELL LEADERSHIP ACADEMY
MONTGOMERY COUNTY**

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

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	Lease agreement did not have a fiscal funding or cancellation clause as required by AOS Bulletin 2000-005	No	Repeated as Finding 2004-002
2003-002	Final expenditure report for Charter School Program was filed late.	Yes	
2003-003	Fixed asset listing was not complete.	No	Repeated as Finding 2004-003



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**COLIN POWELL LEADERSHIP ACADEMY
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 12, 2005**