COLIN POWELL LEADERSHIP ACADEMY
MONTGOMERY COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED JUNE 30, 2005

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 basic financial statements of Colin Powell Leadership Academy, Montgomery County, (the School), as of and for the year ended June 30, 2005, 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 based on our audit.

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

As described in Note 3, the School has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* as amended and interpreted, as of June 30, 2004.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Colin Powell Leadership Academy, as of June 30, 2005, and the changes in its financial position 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 May 19, 2006, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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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.

Betty Montgomery

Betty Montgomery
Auditor of State

May 19, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

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, 2005. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the financial statements and notes to the basic financial statements to enhance their understanding of the School's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued June, 1999. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information of the prior year, and that the *GASB Statement No. 34* permits the omission of the comparative information in the first year of adoption of the new reporting model, the Governing Board has elected to exclude the information in this report. Subsequent reports will include the comparative information.

Financial Highlights

- In total, net assets increased $151,503, which represents a 367.9 percent increase from 2004.
- Total assets increased $147,897, which represents a 134.9 percent increase from 2004.
- Liabilities decreased $3,606, which represents a 5.3 percent decrease from 2004.

Using this Financial Report

This report consists of three parts, the MD&A, the basic financial statements, and notes to those statements. The basic financial statements include a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows.

Statement of Net Assets

The statement of net assets includes all assets and liabilities, both short-term and long-term, using the accrual basis of accounting and economic resources measurement focus, which is similar to the accounting used by most private-sector companies. This basis of accounting takes into account all revenues and expenses during the year, regardless of when the cash is received or paid.

Table 1 provides a summary of the School's net assets for fiscal year 2005 and fiscal year 2004.

(Table 1)
Net Assets

	2005	2004
Assets:		
Current Assets	$206,050	$92,810
Capital Assets, Net	51,501	16,844
Total Assets	257,551	109,654
Liabilities:		
Current Liabilities	64,871	68,477
Net Assets:		
Invested in Capital Assets	51,501	16,844
Restricted	53,275	18,539
Unrestricted (Deficit)	87,904	5,794
Total Net Assets	$192,680	$41,177

Total net assets increased $151,503. Cash and cash equivalents increased by $98,987 from 2004. The primary reason for the significant increase was due to an increase in charges for services revenue from personnel services that the School provides to other community schools. Fiscal year 2005 was the first year these services were provided and payments were received. Unrestricted net assets, the part of net assets that can be used to finance day-to-day activities without constraints established by grants or legal requirements, increased significantly due to these charges for services. The significant increase in net assets restricted for other purposes was due to additional grants received during the fiscal year, including Title I and Drug Free Grants. Capital Assets, net of depreciation increased by $34,657.

Table 2 shows the changes in net assets for fiscal year 2005, as well as a listing of revenues and expenses. Since this is the first year the School has prepared financial statements following *GASB Statement No. 34*, revenue and expense comparisons to fiscal year 2004 are not available. In future years, when prior-year information is available, a comparative analysis of district-wide data will be presented.

(Table 2)
Change in Net Assets

	2005
Operating Revenues:	
Sales	$17,065
State Foundation	1,297,051
Disadvantaged Pupil Impact Aid	156,755
Charges for Services	339,500
Miscellaneous	5,040
Total Operating Revenues	1,815,411
Non-Operating Revenues:	
Federal and State Grants	328,514
Gifts and Donations	36,820
Interest Revenue	450
Total Non-Operating Revenues	365,784
Total Revenues	2,181,195
Operating Expenses:	
Salaries	789,935
Fringe Benefits	203,323
Purchased Services	602,925
Rent	229,956
Materials and Supplies	196,396
Depreciation	5,300
Total Operating Expenses	2,027,835
Non-Operating Expenses:	
Interest and Fiscal Charges	1,857
Total Expenses	2,029,692
Change in Net Assets	151,503
Net Assets Beginning of Year	41,177
Net Assets End of Year	$192,680

Capital Assets

At the end of fiscal year 2005 the School had $51,501, invested in furniture and equipment and vehicles which represented an increase of $34,657 from 2004. Table 3 shows fiscal year 2005 and fiscal year 2004:

(Table 3)
Capital Assets at June 30,
(Net of Depreciation)

	2005	2004
Furniture and Equipment	$49,821	$14,604
Vehicles	1,680	2,240
Total	$51,501	$16,844

For more information on capital assets see Note 6 to the basic financial statements.

Debt Administration

The School does not have any outstanding debt at June 30, 2005.

Current Financial Issues

To insure this financial position, the School has changed the purchasing process to one that requires purchase orders prior to the purchase, rather than submitting the purchase order and invoice at the same time for payment. The student record keeping has been very accurate which allows the administrative and Governing Board to do planning for current and future years.

Contacting the School's Financial Management

This financial report is designed to provide our citizen's with a general overview of the School's finances and to show the School's accountability for the money it receives. If you have questions about this report or need additional information contact Phyllis Bixler, Treasurer at 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
JUNE 30, 2005

Assets:	
Current Assets:	
Cash and Cash Equivalents	$113,706
Prepaid Items	17,612
Accounts Receivable	756
Intergovernmental Receivable	73,976
Total Current Assets	206,050
Non-Current Assets:	
Capital Assets:	
Depreciable Capital Assets, Net	51,501
Total Assets	257,551
Liabilities:	
Current Liabilities:	
Accounts Payable	28,960
Accrued Wages and Benefits Payable	27,552
Intergovernmental Payable	8,359
Total Liabilities	64,871
Net Assets:	
Invested in Capital Assets	51,501
Restricted for Other Purposes	53,275
Unrestricted	87,904
Total Net Assets	$192,680

See accompanying notes to the basic financial statements.

COLIN POWELL LEADERSHIP ACADEMY
MONTGOMERY COUNTY

STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Operating Revenues:	
Sales	$17,065
State Foundation	1,297,051
Disadvantaged Pupil Impact Aid	156,755
Charges for Services	339,500
Miscellaneous	5,040
Total Operating Revenues	1,815,411
Operating Expenses:	
Salaries	789,935
Fringe Benefits	203,323
Purchased Services	602,925
Rent	229,956
Materials and Supplies	196,396
Depreciation	5,300
Total Operating Expenses	2,027,835
Operating Loss	(212,424)
Non-Operating Revenues:	
Federal and State Grants	328,514
Gifts and Donations	36,820
Interest Revenue	450
Total Non-Operating Revenues	365,784
Non-Operating Expenses:	
Interest and Fiscal Charges	(1,857)
Change in Net Assets	151,503
Net Assets Beginning of Year - Restated (See Note 3)	41,177
Net Assets End of Year	$192,680

See accompanying notes to the basic financial statements.

COLIN POWELL LEADERSHIP ACADEMY
MONTGOMERY COUNTY

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows Used for Operating Activities:	
Cash Received from Sales and Charges for Services	$307,055
Cash Received from State of Ohio	1,510,496
Cash Received from Miscellaneous Sources	4,284
Cash Payments to Employees for Services	(996,396)
Cash Payments to Suppliers for Goods and Services	(1,047,357)
Net Cash Used for Operating Activities	(221,918)
Cash Flows from Noncapital Financing Activities:	
Federal and State Grants Received	325,449
Gifts and Donations	36,820
Cash Received from Loan Proceeds	50,000
Short-Term Loan Principal Payment	(50,000)
Short-Term Loan Interest Payment	(1,857)
Net Cash Provided by Noncapital Financing Activities	360,412
Cash Flows from Capital Activities:	
Acquisition of Capital Assets	(39,957)
Cash Flows from Investing Activities:	
Interest	450
Net Increase in Cash and Cash Equivalents	98,987
Cash and Cash Equivalents at Beginning of Year	14,719
Cash and Cash Equivalents at End of Year	$113,706
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	($212,424)
Adjustments to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	5,300
Changes in Assets and Liabilities:	
Increase in Accounts Receivable	(756)
Increase in Prepaid Items	(17,612)
Decrease in Intergovernmental Receivable	7,180
Decrease in Accounts Payable	5,361
Decrease in Accrued Wages and Benefits Payable	(1,714)
Decrease in Intergovernmental Payable	(7,253)
Total Adjustments	(9,494)
Net Cash Used for Operating Activities	($221,918)

See accompanying notes to the basic financial statements.

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1. DESCRIPTION OF THE SCHOOL AND REPORTING ENTITY

The Colin Powell Leadership Academy 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 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 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 6 non-certified and 14 certified full-time equivalent teaching personnel who provide instructional services to 197 students. A Superintendent, Business Manager and Treasurer handle administrative responsibilities.

The School contracted with Kids 2000 to perform tutoring, mentoring and extended educational services. 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 14 to the basic financial statements.

The School is associated with the Metropolitan Dayton Education Computer Association, a computer Consortium of area schools sharing computer resources. This organization is presented in Note 15 to the basic financial statements.

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, to its proprietary activities, provided they do not conflict with or contradict GASB pronouncements. The School has elected not to apply FASB Statements and interpretations issued after November 30, 1989 to its proprietary fund. The more significant of the School’s accounting policies are described below.

A. Basis Of Presentation

The School’s basic financial statements consist of a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows.

The School uses a single enterprise fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Enterprise fund reporting focuses on the determination of the change in net assets, financial positions and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods and services.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus

The accounting and financial reporting treatment of an entity's financial transactions is determined by the entity's measurement focus. The enterprise activity is accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the School are included on the statement of net assets. The statement of changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net assets. The statement of cash flows provides information about how the School finances and meets the cash flow needs of its enterprise activity.

C. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The School's financial statements are prepared using the accrual basis of accounting.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the School receives value without directly giving equal value in return, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. 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 a specified purpose, and expenditure requirements, in which the resources are provided to the School on a reimbursement basis.

Expenses are recognized at the time they are incurred.

D. Cash and Cash Equivalents

The School maintains an interest bearing depository account. All funds of the School are maintained in this account. The interest bearing depository account is presented in the statement of net assets as Cash and Cash Equivalents. The School has no investments.

E. Capital Assets

Capital assets are capitalized at cost (or estimated historical cost which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School maintains a capitalization threshold of one thousand dollars. The School does not possess any infrastructure.

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Furniture and Equipment	5 years
Vehicles	5 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if 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. Employees must use vacation leave by year end; therefore no liability is accrued.

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 criteria for determining sick leave components are derived from Governing Board Policy. Teachers, administrators and classified employees are granted sick leave in the amount of 5 days per year with no accumulated sick leave balance.

G. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The School applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Net assets restricted for other purposes include resources restricted for required food service operations and federal and State grants restricted to expenditures for specified purposes.

The government-wide statement of net assets reports $53,275 of restricted net assets, of which none is restricted by enabling legislation.

H. Intergovernmental Revenues

The School currently participates in the State Foundation Program, the Disadvantaged Pupil Impact Aid, and the State Special Education Program. Revenues received from these programs are recognized as 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 a specified purpose and expenditure requirements in which the resources are provided to the School on a reimbursement basis.

The amount of these grants is directly related to the number of students enrolled in the School. The Ohio Department of Education conducts reviews of enrollment data and full time equivalency (FTE) calculations made by the School. 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 review resulted in an under payment to the School.

The remaining grants and entitlements received by the School are recognized as non-operating revenues in the accounting period in which eligibility requirements have been met.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activities. For the School, these revenues are primarily foundation payments from the State, charges for services provided to other schools, and sales for food services. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the School. Revenues and expenses not meeting this definition are reported as non-operating.

J. 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 those estimates.

K. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, except 5705.391 which requires the school to prepare a 5 year projection and submit it to the superintendent of public instruction, unless specifically provided in the contract between the School and its sponsor. The contract agreement between the School and its Sponsor does not prescribe a budgetary process for the School.

3. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET ASSETS

For fiscal year 2005, the School has implemented *GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units", GASB Statement No. 40, "Deposit and Investment Risk Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedules – Perspective Differences", and GASB Statement No. 46, "Net Assets Restricted by Enabling Legislation"* and *GASB Technical Bulletin No. 2004-2, "Recognition of Pension and Other Post-Employment Benefit Expenditures/Expenses and Liabilities by Cost Sharing Employers"*.

GASB Statement No. 37 clarifies certain provisions of *GASB Statement No. 34*, including the required content of Management's Discussion and Analysis, the classification of program revenues, and the criteria for determining major funds.

GASB Statement No. 38 modifies, establishes, and rescinds certain financial statement note disclosures.

GASB Statement No. 39*,* further defines the guidelines of *GASB Statement No. 14, "The Financial Reporting Entity"*. The implementation of this new statement had no effect on the School District's financial statements for fiscal year 2004.

GASB Statement No. 40 establishes new disclosure requirements for risks associated with deposits and investments. The implementation of this statement had no effect on the School's financial statements for fiscal year 2005.

3. CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET ASSETS (Continued)

GASB Statement No. 41 only applies when there are significant perspective differences that prevent an entity from associating the estimated revenues and appropriations from its legally adopted budget to the major revenue sources and functional expenditures that are reported in the general and major special revenue funds. The implementation of this statement had no effect on the presentation of budgetary statements by the School District for fiscal year 2005.

GASB Statement No. 46 clarifies how legal enforceability should be applied for determining restricted net assets. The implementation of this new statement had no effect on the School's financial statements for fiscal year 2005.

GASB Technical Bulletin No. 2004-2, addresses the amount that should be recognized as an expenditure/expense and as a liability each period by employers participating in a cost-sharing, multiple-employer pension and other post-employment benefit (OPEB) plans. The implementation of this bulletin had no effect on the School's financial statements for fiscal year 2005.

For fiscal year 2005, the School presented financial statements in accordance with Generally Accepted Accounting Principles. The beginning net asset amount reflects the changes caused by the conversion from cash to the accrual basis of accounting.

Cash Balance, June 30, 2004	$14,719
Current Asset Accruals	78,091
Capital Assets	16,844
Liability Accruals	(68,477)
Net Assets, June 30, 2004	$41,177

4. DEPOSITS

Custodial credit risk for deposits is the risk that in the event of bank failure, the School will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, $44,887 of the School's bank balance of $144,887 was exposed to custodial credit risk because it was uninsured. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

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

5. RECEIVABLES

Receivables at June 30, 2005, consisted of accounts and intergovernmental (State Foundation and Federal and State grants) receivables and charges for services provided to other Schools. All receivables are considered collectible in full and will be received within one year.

A summary of the principal items of intergovernmental receivables follows:

Food Subsidy	$12,620
Title I	4,797
Title II - A	601
Charges from other Schools	49,510
State Foundation	6,448
Total	$73,976

6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005:

	Restated Balance 6/30/04	Additions	Deletions	Balance 6/30/05
Capital Assets Being Depreciated				
Furniture and Equipment	$23,704	$39,957	$0	$63,661
Vehicles	2,800			2,800
Total Capital Assets Being Depreciated	26,504	39,957		66,461
Less Accumulated Depreciation:				
Furniture and Equipment	(9,100)	(4,740)		(13,840)
Vehicles	(560)	(560)		(1,120)
Total Accumulated Depreciation	(9,660)	(5,300)		(14,960)
Total Capital Assets Being Depreciated, Net	$16,844	$34,657	$0	$51,501

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 with a $1,000 deductible. Electronic data processing equipment is covered under Westfield Insurance Company with a $1,000 deductible. The 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. There has been no significant reduction in insurance coverage from the prior fiscal 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.

8. 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's 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 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2004, 9.09 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, 2005, 2004, and 2003, were $20,628, $19,440, and $18,672, respectively; 95.70 percent has been contributed for fiscal year 2005 and 100 percent for fiscal years 2003 and 2004.

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 Web site at www.strsoh.org.

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

8. DEFINED BENEFIT PENSION PLANS (Continued)

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, 2005, plan members were required to contribute 10 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 2004, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% 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 the DB Plan for the fiscal years ended June 30, 2005, 2004, and 2003, were $77,195, $73,273, and $55,354, respectively; 96.15 percent has been contributed for fiscal year 2005 and 100 percent has been contributed for fiscal years 2003 and 2004.

9. POSTEMPLOYEMENT BENEFITS

The School District 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.

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, 2005, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the School District, this amount equaled $5,938 for fiscal year 2005.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2005, the balance in the Fund was $3.3 billion. For the year ended June 30, 2005, net health care costs paid by STRS Ohio were $254,780,000 and STRS Ohio had 115,395 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. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. Premiums may be reduced for retirees whose household income falls below the poverty level.

9. POSTEMPLOYEMENT BENEFITS (Continued)

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, 2005, employer contributions to fund health care benefits were 3.43 percent of covered payroll, a decrease of 1.48 percent from fiscal year 2004. 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, pro-rated for partial service credit. For fiscal year 2005, the minimum pay was established at $27,400. However, the surcharge is capped at 2 percent of each employer's SERS salaries. For the 2005 fiscal year, the School District paid $10,202 to fund health care benefits, including the surcharge.

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, 2005, were $178,221,113 and the target level was $267.3 million. At June 30, 2005, SERS had net assets available for payment of health care benefits of $267.5 million. SERS has approximately 58,123 participants currently receiving health care benefits.

10. EMPLOYEE BENEFITS

The school provides life insurance and accidental death and dismemberment insurance to employees through United Life Insurance Company. The School provides health insurance coverage through United Health Care of Ohio, Inc. Employees share of the total premium amounts to 20% of the annual policy. Dental insurance is provided to aid eligible employees through a plan administered by Superior Dental Care.

11. OPERATING LEASE

The School leased the school building it occupies 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 fiscal year 2005 were $229,956.

The School leases the real estate on which the school building sits under a one year operating lease with a renewal option for four more periods of one year each. The first year of the 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. In prior fiscal years, the School leased the land from the Dayton Boys and Girls Club. However, the Dayton Boys and Girls Club did not operate for the entire fiscal year; therefore no lease payments were made by the School. For fiscal year 2006 through 2007 minimum rental payments are as follows:

Fiscal Year	Building
2006	$211,344
2007	35,224
Total	$246,568

12. SHORT-TERM OBLIGATIONS

On July 16, 2004, the School entered into a commercial installment loan agreement with National City Bank for operating expenses in the amount of $50,000. The loan carried a variable interest rate of one percent over the prime interest rate. The loan reached maturity on May 31, 2005 and was paid in full.

13. 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 of the State, upon which state foundation funding is calculated. The review for fiscal year 2005 resulted in an intergovernmental receivable of $6,448.

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 Ohio Supreme Court accepted the appeal from the Court of Appeals for review on February 16, 2005. Oral arguments occurred November 29, 2005. The effect of this suit, if any on the Colin Powell Leadership Academy is not presently determinable.

14. RELATED PARTY TRANSACTIONS

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, 2005 were $138,551.

15. JOINTLY GOVERNED ORGANIZATION

Metropolitan Dayton Educational Cooperative Association - The School 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 $11,050 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.

16. PURCHASED SERVICES

For fiscal year 2005, purchased services expenses were payments for services by various vendors as follows:

Professional and Technical Services	$111,726
Property Services	29,960
Travel and Meeting Expense	5,649
Communications	44,741
Electric and Gas	60,110
Water and Sewer	15,308
Pupil Transportation	9,306
Other Purchased Services	276,252
Dues	32,057
Insurance	16,346
Judgements	1,470
Sub-total Purchased Services	602,925
Building Rental Expense	229,956
Total Purchased Services	$832,881

17. SUBSEQUENT EVENTS

For fiscal years 2006 and 2007, the School signed a contract with a new sponsor, The Educational Resource Consultants of Ohio.

18. NONCOMPLIANCE

The School failed to comply with the requirement regarding including a cancellation clause in its building lease.

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INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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 accompanying basic financial statements of Colin Powell Leadership Academy, Montgomery County, (the School), as of and for the year ended June 30, 2005, as listed in the table of contents, and have issued our report thereon dated May 19, 2006, wherein we noted the School implemented a new reporting model as required by the provisions of GASB Statement No. 34. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards.*

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. 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 Government's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2005-004 and 2005-005.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. However, we do not believe the reportable conditions described above are material weaknesses. In a separate letter to the School's management dated May 19, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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Compliance and Other Matters

As part of reasonably assuring whether the School's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items, 2005-001 to 2005-003. In a separate letter to the School's management dated May 19, 2006, we reported a matter related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management and Governing Board. It is not intended for anyone other than these specified parties.

Betty Montgomery

Betty Montgomery
Auditor of State

May 19, 2006

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

FINDING NUMBER 2005-001 – Repaid Under Audit

Expenditures made by a governmental unit should serve a proper public purpose. **State ex rel. McClure v. Hagerman, 155 Ohio St. 320(1951)**.

The Colin Powell Leadership Academy made various expenditures not serving a proper public purpose, as follows:

1. Payments to the Cincinnati Marriott and Celebrations Riverboats on July 8, 2005 for hotel room, hotel banquets and boat dinner totaling $249.96 for Maria Welton, who was neither an employee nor a board member.

2. Payments to the Cincinnati Marriott and Celebrations Riverboats on July 8, 2005 for hotel banquets and boat dinner totaling $123.82 for Travis Mack, who was neither an employee nor a board member.

3. Payments to the Cincinnati Marriott and Celebrations Riverboats on July 8, 2005 for hotel banquets and boat dinner totaling $123.82 for Nicole Foster, who was neither an employee nor a board member.

In accordance with the foregoing facts, and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for public monies illegally expended is hereby issued in favor of Colin Powell Leadership Academy against Treasurer Phyllis Bixler and her bonding company, The Cincinnati Insurance Company in the amount of $497.60, and the following individuals for the amounts listed below:

Maria Welton	249.96
Travis Mack	123.82
Nicole Foster	123.82
Total	$ 497.60

Officials Response: The finding was repaid on 5/23/06 in the amount of $373.82 by check # 1396 and on 5/24/06 in the amount of $123.82 by check # 1598.

FINDING NUMBER 2005-002 – Repaid Under Audit

Collin Powell Leadership Academy (CPLA), Peterson Entrepreneurial Training Enterprise (PETE), Arise Sport Management Academy (SPORT) and Cleveland Academy of Scholarship, Technology & Leadership Enterprise (CASTLE) held a joint meeting on July 8 and 9, 2005 at a Cincinnati hotel for these four schools sponsored by Education Resource Consultants of Ohio, Inc. There was a joint professional development and recognition ceremony on a restaurant boat on July 8, 2005.

CASTLE paid a $500 deposit for the restaurant boat while CPLA paid the hotel $5,039.88 and the remaining restaurant boat balance due of $2,806.60. CPLA then sent invoices to each of the other schools to equally divide the total expenses of $7,846.48 instead of allocating the costs based upon the number of attendees from each school. Records indicate there were a total of 40 attendees at the conference as follows: CPLA had 25, PETE had 2, SPORT had 2, and CASTLE had 4 in addition to. 4 attendees related to all of the schools. Finally there were three non-school related attendees listed separately in finding #2005-001 above. Therefore excessive reimbursements were made to CPLA as follows:

FINDING NUMBER 2005-002 – Repaid under Audit (Continued)

	PETE	SPORT	CASTLE	Total
Share of Hotel and Boat Paid by CPLA	671.23	671.23	1,549.57	2,892.03
Amount Schools paid to CPLA	(1,569.29)	(1,569.29)	(1,569.29)	(4,707.87)
Over Payments to CPLA	(898.06)	(898.06)	(19.72)	(1,815.84)
Share of Boat Paid by CASTLE Due from CPLA			(325.00)	(325.00)
Total due from CPLA	(898.06)	(898.06)	(344.72)	(2,140.84)

In accordance with the foregoing facts, and pursuant to **Ohio Rev. Code Section 117.28**, a Finding for Recovery for excessive billing is hereby issued against Colin Powell Leadership Academy, Treasurer Phyllis Bixler and her bonding company, The Cincinnati Insurance Company, joint and severally in the amount of $ 2,140.84, in favor of PETE in the amount of $898.06, SPORT in the amount of $898.06 and CASTLE in the amount of $344.72.

The Academy should develop and implement procedures to equitably allocate any shared costs based upon usage as a means of accurately reflecting the benefit to each school.

Officials Response: CPLA issued check #7194 for $898.06 to PETE, #7195 for $898.06 to SPORT, and #7196 for $344.72 to CASTLE, all dated May 22, 2006.

FINDING NUMBER 2005-003

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 (60) 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 attempt to amend the lease and implement policies to prevent entering into any future lease agreements that do not include the required fiscal funding or cancellation clause.

FINDING NUMBER 2005-004

The School purchased capital assets totaling $19,867 which were not included on the capital assets listing. This resulted in the understatement of assets on the financial statements, which required an adjustment to both capital assets and expenses to properly reflect the activity, and incomplete capital assets records. The School should implement procedures to record all purchases that qualify as capital assets be recorded on the capital asset listing as a means of tracking assets in the event of loss and to aid in accurate preparation of the financial statements.

FINDING NUMBER 2005-005

Three employees were paid less than the amounts per their contracts. William Peterson (Superintendent/CEO/Board Member) approved a reduction in pay for himself and Diana Peterson which were not evidenced by amended contracts or full Board approval. Additionally, Diana Peterson (Director/Board Member) approved a change in salary for another employee without an amended contract or Board approval. Further, three employees did not have their contracts signed by the Treasurer, CEO and Board President. These unapproved changes could result in the overpayment/underpayment of employees and a liability for amounts different than the contracts contained. Procedures should be developed and implemented to provide for Board approval of all contractual amendments and sign-off on all employment contracts by School officials. Additionally, acknowledgement of agreement should be obtained from employees when their contracts are amended. We did not receive a response from officials for findings 2005-003, 004, and 005.

COLIN POWELL LEADERSHIP ACADEMY
MONTGOMERY COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END JUNE 30, 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***:
2004-001	School did not prepare its annual financial report in accordance with generally accepted accounting principles as required by **Ohio Admin Code 117-2-03 (B)**	YES	
2004-002	Lease agreement did not have a fiscal funding or cancellation clause as required by **AOS Bulletin 2000-005**	NO	Repeated as Finding 2005-003
2004-003	Capital asset listing was not complete.	NO	Repeated as Finding 2005-004

Auditor of State
Betty Montgomery

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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
JUNE 20, 2006